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Max Wertheimer, 1880-1943	<i>Alvin Johnson</i>	397
The Conditions of Unconditional Surrender	<i>Hans Simons</i>	399
Pan-Americanism and the United Nations	<i>Hans Aufrecht</i>	417
The Share of Capital in National Income—United States, United Kingdom and Germany	<i>Julius Wyler</i>	436
Arthur Feiler and German Liberalism	<i>Alexander Böker</i>	455
The Domestic Retreat after World War I (Note)	<i>E. Jay Howenstine, Jr.</i>	480
Veblen on Japan (Note)	<i>H. T. Oshima</i>	487
Book Reviews		495
Table of Contents and Indexes for Volume Ten	<i>after page</i>	522

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## MAX WERTHEIMER

1880-1943

As one advances in life, says Pliny the Younger, the most tragic experience is to see one's friends go one by one to the grave. A week ago Max Wertheimer was alive and buoyant. Today we bow to his memory.

Our hearts are heavy, and few words can come from a heavy heart.

What was it that made Max Wertheimer unique among our many unique friends? It was not simply that he was a great scientist, indeed one of the greatest, whose ideas will live and work beneficently long after all of us who knew him have gone to our final rewards. He was, intellectually, a great man, a valuation he would have rejected while alive, but which we who knew him recognized from our first encounter.

What brought him nearest to our hearts was his passion for truth. It was not a cold intellectual judgment; it was warm and passionate. *Die Wahrheit*: how his eyes would glow as his imagination approached the shrine of Truth.

Most of us had succumbed in some measure to the sophisticated view that all values are relative. Not so Max Wertheimer. To him truth and honor and justice are verities as substantial and enduring as the physical constitution of the universe. They might vary in their phenomenal expression but in essence they are rooted in the heart of human life, as human life itself is rooted in the heart of the universe.

Ten years of association were insufficient to answer the question whether Max Wertheimer were more the philosopher or the saint. The light of his personality, glowing crystal white, made one incline to the saint; but the power and wide reach of his intelligence inclined one to the philosopher.

Philosopher and saint, Max Wertheimer confirmed in us who knew him faith in the values of intellectual sincerity and enterprise.

We are crushed by his loss, but we recognize, as seldom men recognize, that loss is but an illusion, and the thought and spirit of Max Wertheimer live on.

In a later issue we shall attempt to present an account of the work of Max Wertheimer and its meaning for social science. These few words must stand for what they are, the halting sentences of final farewell to a best loved friend.

ALVIN JOHNSON

*October 15, 1943*



# THE CONDITIONS OF UNCONDITIONAL SURRENDER<sup>1</sup>

BY HANS SIMONS

## I

IN DISCUSSING the term "unconditional surrender," one must realize that its meaning is limited in three respects. It is addressed primarily to those responsible for the present war and its form.<sup>2</sup> But if they should surrender, they cannot do so for themselves alone; they will have to surrender their peoples with them.

The term is also restricted, it would seem, to a certain situation. Only unconditional surrender of Germany's and Japan's satellites can give to the Allies the means of continuing the war without hindrance. Air fields in Italy, bases in Burma or Thailand, are essential to defeat the enemy. No belligerent whose territory lies within a present or potential battle area can be allowed to withdraw from the war. Hungary, Bulgaria, Rumania will have to discover this. Unconditional surrender is a military rather than a political term. It implies that later terms can be imposed without negotiation—in other words, that the unavoidable conditions of unconditional surrender are for the victor to dictate.<sup>3</sup>

Finally, there is a limit to the usefulness of the phrase. What will happen to the smaller nations of Europe and Asia will depend on the form and extent of the German and Japanese defeat. In the case of these two countries, therefore, the military terms which insure the full use of all preceding victories need to be implemented politically. Germany and Japan as such cannot change sides, although any individual German or Japanese may try to do so. After they

<sup>1</sup> Paper read in the General Seminar of the Graduate Faculty on October 6, 1943.

<sup>2</sup> See President Roosevelt's address before White House Correspondents Association, February 12, 1943, Department of State *Bulletin*, vol. 8, no. 190.

<sup>3</sup> See President Roosevelt's address to the International Student Assembly, September 3, 1942, Department of State *Bulletin*, vol. 7, no. 167.

are defeated, neither their active cooperation nor even their passive tolerance is required from a military point of view. Their fate immediately becomes an overwhelmingly political problem. The future peace depends on how that problem is solved. The answer cannot be left to chance but must be carefully prepared. There is little agreement on purposes, however, or on processes to define them and submit them to democratic discussion.

In the United States a year from now votes will have to be cast on a national scale. Increasing heat is generated in the preparatory process. During the discussion of foreign affairs many prejudices and notions disappear like scrap in the molten mass. But as we make ready for the casting it is becoming obvious that no mold is prepared. Theoretically we know the specifications of the end product (peace, security, prosperity, satisfaction for the common man) and the ingredients required (the Four Freedoms, federated force), but no one can provide the measurements, much less the shape of the mold. There is danger that the mixture will be poured out to no good purpose. What a waste of human effort that would be, what an injury to democracy!

## II

Perhaps it is possible to state some of the requirements which must be met, whatever the forms and circumstances of military surrender will be, and to find out whether they are generally acceptable. If we can thereby arrive at certain conditions without which no settlement is practicable, we have "conditions of unconditional surrender."

On this assumption I think we can stop discussing whether the Germans are good or bad—a question which in this form cannot possibly be answered anyway; or whether Hirohito is a god or an erring human—which makes little difference to us. Victory, according to Churchill, gives to the victor the right to guide the course of world history,<sup>4</sup> which means imposing his standards on the van-

<sup>4</sup> See Prime Minister Churchill's speech to the House of Commons, August 20, 1940, *New York Times*, August 21, 1940.

quished. It is hopeless to try to define these standards—democracy, liberty or anything else—in the abstract. They become meaningful only as concepts determining our conduct—if not serving our selfishness.

No one should doubt that the first need we will have to meet is neither the physical nor the spiritual hunger of the liberated or conquered peoples, but our own desire to make the victory worth while. Most people in this country will agree that one cannot mobilize a nation to a mounting effort to preserve itself if one does not satisfy what it conceives as its own national interest. Now our effort is above all a moral one, which conditions our physical and mental exertions. Victory therefore has to bring moral satisfaction. Some of it we will gain from the mere fact that our cause prevails. But we also need the encouragement and assurance which result when moral wrath finds organized expression.

This it seems to me is the only aspect under which we can seriously talk of punishing war leaders and war criminals, and of making the Germans and Japanese pay for what we know as the moral outrages they have committed. It is essential that the conditions of surrender clearly express guilt and responsibility, and establish it not in theory or in demands to be met later, but in concrete arrangements which form part of the armistice and state symbolically as well as literally the cost of domestic and international political amorality. It would be tragic to suppress such an urge, to try to plead for sweetness and forgiveness at a moment when values must be reestablished on the physical and spiritual ruins of large areas of the world. It is quite possible that these values will be openly challenged or secretly doubted by the vanquished. But there cannot be any question that it is our task first to reaffirm and then to prove them. In this we will fail if we question in advance the validity of our judgment. The apocryphal quotation "*tout comprendre c'est tout pardonner*" is a most dangerous slogan, for if it is applied it makes those who best know and understand the least capable of judgment.

Although I have put the moral requirements first, I do not mean

to imply that our material needs can be disregarded. Certainly the conditions of surrender must make clear that essential economic needs of the United States must also be met. Fortunately this country does not expect large-scale repayments of its tremendous war expenditures. We recognize that there are so many enormous claims of the Soviet Union and of all Europe against Germany, of China and of all the Pacific area against Japan, that we will have to grant them priority. We know too that at best only a small fraction of these claims can be satisfied. Yet we have a definite interest in not raising false hopes on either side, as the Atlantic Charter does.<sup>5</sup> Whatever our good intentions today, there is no evidence that individuals anywhere, even in the United States, already feel sufficiently responsible for a world community to sacrifice for it beyond a point which is still very close to personal selfishness and almost identical with national selfishness.

Therefore conditions will also have to answer essential American political demands. In the economic field we must be careful about promises and hopes. In the political field we must avoid rash renunciations. According to Point I of the Atlantic Charter, we "seek no aggrandizement, territorial or other." Quite aside from the fact that victory is bound to make the United States a still greater nation, we have a definite stake in certain territorial settlements, directly in the Pacific and indirectly on both the Asiatic and the European mainlands. Territory is the most tangible element of national existence. It becomes the essence of any settlement in the eyes of all those who cannot easily grasp the economic and social implications of surrender. To assume that the territorial issues of the war can be postponed is to delude ourselves. As we have seen after the last war, one cannot fight for ideas and principles without being forced to share in the drawing of boundaries and in the reallocation of possessions, any more than a psychiatrist can disregard the physical state of his patient.

Furthermore, Americans are not political medicos. On the contrary, in the long run the American nation will develop the nat-

<sup>5</sup> See Points IV and V of the Atlantic Charter.

ural impatience which the relatively healthy have for the sick and disabled. It can be overcome on the individual level. But again there is no evidence that nations can act as nurses or doctors. No settlement will seem bearable to American public opinion if it leaves us with a national task of nursing other peoples by whatever means of assistance or suppression for whatever benefits of ours or theirs. Much less is a peace possible which leaves us the impossible chore of being policeman-preacher-physician for Anglo-Saxon "world mastery."<sup>8</sup>

## III

Fortunately the war is not an Anglo-Saxon affair, and the surrender, so we hope, will be made to the United Nations. Consequently, whatever we regard as acceptable from an American point of view will have to be reconsidered, and if necessary reconciled with the needs of the other United Nations. Without this second angle we would get a distorted view.

The Soviet Union has not participated in the unconditional surrender policy, but rather has proclaimed a series of Russian territorial demands<sup>7</sup> of which none is directed against Germany or Japan. She has stated certain principles of a practical policy through Stalin's speeches, corroborated by other Soviet sources and applied through the Free Germany Committee. It will help our discussion to sketch briefly the main points of this policy.

In the words of Stalin, the Russian policy accepts the lesson of history "that Hitlers come and go but the German people and the German state remain."<sup>8</sup> "It is not our aim," he stated on another occasion, "to destroy all military force in Germany" because "it is inadvisable from the point of view of the future."<sup>9</sup> The German

<sup>8</sup> See John MacCormac, *America and World Mastery* (New York 1942).

<sup>7</sup> See Stalin's speech of July 3, 1941, in "War and Peace Aims," Special Supplement No. 1 to the *United Nations Review*, p. 11.

<sup>8</sup> See Stalin's speech of February 23, 1942, in "War and Peace Aims" (cited above) p. 30.

<sup>9</sup> See Stalin's address to the Moscow Soviet, November 6, 1942, *New York Times*, November 7, 1942.

Committee stands for "a free and independent Germany," with a strong government "which has nothing in common with the helpless Weimar regime."<sup>10</sup> It promises "amnesty for all Hitler adherents who in good time will renounce him," and only "the just and inexorable trial of those responsible for the war"—mind you, nothing else.

This attitude is probably based on three factors which must be harmonized. The first is propaganda. The Russians and their German spokesmen try to make what they regard as the strongest appeal where it is most needed. They try to frighten their allies in order to spur them to greater efforts. If we do not like their suggestions, they think we will have to do something about it, namely establish the "second front" and thereby gain greater influence on the settlement in Europe.<sup>11</sup> There is no reason to be afraid of this pressure, and good reason to counteract it by a program of our own; for the Russian technique is effective—if at all—mainly because we do not compete in this particular endeavor. But this is clearly only part, and it seems a minor part, of their purpose. The wide use they are making of these statements in propaganda directed to the German army indicates that they hope to achieve something along their own fronts. Therefore they address themselves primarily to the officers, to German nationalism, to those opposing a return to the past, and only generally to all anti-Hitler Germans.

If the appeal were only propaganda, it would not be necessary to worry about whether it expresses a policy. But the Russian government also seems interested in reassuring those whom it regards as most important for the future: again the army, those National Socialists who hurry to become turncoats, the patriots, and only in general those who are longing for peace. The promises

<sup>10</sup> See Manifesto of the Free Germany Committee, issued in Moscow, *New York Times*, August 1, 1943.

<sup>11</sup> This discussion is predicated on the assumption that we will have to establish another land front in Europe, and that thereby we will be in a position to enter the discussions with the Soviet Union more freely. Until we can do so, negotiations with the Russians are bound to be inconclusive.



of the Free Germany Committee are not too definite. "Restoration and extension of the political rights and social gains of the working people; freedom of speech, press, assembly, conscience and religious belief."<sup>12</sup> Added are "the freedom of economy, trade and handicraft; the guaranteed rights to labor and lawfully acquired property."<sup>13</sup> The Russian government may regard this as the most acceptable program from a German point of view. After having met the German military and political machine in battle, the Russians cannot but be impressed by the intensity of German nationalism, the strength of German military organization and authority, and the aversion of Germans to their own pre-Hitler past.<sup>14</sup>

Thirdly, the Russian program could not be formulated were it not also acceptable to the forces now decisive within the Soviet Union. The emphasis on Germany's political and military survival as well as the vagueness of economic and social promises may well indicate that the Russian officer and the Russian industrial manager have more confidence in the corresponding groups in Germany and elsewhere than in the proletariat, the democrats, the liberals, the pacifists or any other group of which they see little in their own country at present.

The Communist party itself, however, is very much in evidence. In the Free Germany Committee we see a new form of the popular front, this time under Russian and Communist leadership, and with an extension to the military and conservative elements which limits fascism only to the nonrepentent members of the organized party—a remarkable development which has its implications for Italy, France and other countries to be liberated by our victory.

China also is not committed to unconditional surrender, but only to complete victory. Nor, to my knowledge, is there any evidence that she expects to set up military government on the

<sup>12</sup> See Manifesto of the Free Germany Committee (cited above). These freedoms we find also in Articles 124 and 125 of the Soviet Constitution.

<sup>13</sup> Compare with Articles 10 and 118 of the Soviet Constitution.

<sup>14</sup> So far as is known, American experience with German prisoners of war does not seem to be different.

Japanese islands or to dictate to the Japanese the form of their government. It is impossible to judge to what extent contact is maintained between China and Japan regarding conditions of peace. But it is evident that for the Japanese the war in China has become a sideshow, and will remain so unless we can develop it into a major theater of our own war against Japan. Until then we will have to respect China's interest, including the terms on which she is willing to settle. Our conditions of unconditional surrender will have to serve the purpose of keeping China in the war, and we can hardly do that against her will.

The line along which official China is thinking can perhaps be seen in Chiang Kai-shek's words: "Among our friends there has been recently some talk of China emerging as the leader of Asia, as if China wished the mantle of an unworthy Japan to fall on her shoulders. Having herself been a victim of exploitation, China has infinite sympathy for the submerged nations of Asia, and toward them China feels she has only responsibilities, not rights. . . . China has no desire to replace western imperialism in Asia with an oriental imperialism or isolation of its own or of anyone else. We hold that we must advance from the narrow idea of exclusive alliances and regional blocs which in the end make for bigger and better wars to effective organization of world unity."<sup>25</sup> This is not just talk but reflects an essential tradition. It is somewhat of an assurance to Japan, but also a warning to the west.

And the other United Nations? Those who are concerned with the Pacific area cannot expect ever to be able to deal with Japan if they are not backed by their more powerful allies. Agreement on Japan's future between China, the United States, Great Britain, and if possible the Soviet Union, is so vital for them that they will have to overcome any disagreement they may have with unconditional surrender or with any conditions imposed by it. For the rest, and they are the vast majority, the war with Japan is hardly

<sup>25</sup> Chiang Kai-shek, Message to the New York Herald Tribune Forum, November 17, 1942, in *War and Peace Aims of the United Nations*, edited by L. W. Holborn (Boston 1943) p. 403.



more than a political fact which does not reach down into their national and social life.

As for Germany, some of the United Nations are so close to her power that unconditional surrender is the only formula which covers their fear, their hatred and their natural thirst for vengeance. Others are so far from it that it does not matter too much. In either case, unconditional surrender can mean all things to all men, and the crucial test will come when it is to be implemented in the final settlement which must protect the Europeans against German aggression and pay the others for their support.

#### IV

In the face of all these difficulties, these diverging interests and unknown factors, it may seem best to postpone the discussion of conditions until events on the battlefronts have eliminated some of the problems and answered some of the questions. Only if compelling reasons suggest another course is it justifiable to try to supplement what is still the official policy of the United States and Great Britain. I submit that the irrepressible discussion on "what to do with Germany," and its one-sided use by the Russians, reflect clearly the need for more concrete plans regarding Germany. The absence of any serious and general concern with postwar Japan indicates that in her case practical proposals are premature, and the following discussion is therefore limited to Germany.

What are the reasons for this widespread eagerness to discuss the future? Many people feel that the term "unconditional surrender" must be implemented for purposes of what is called psychological warfare. There are some arguments to support their contention. It is generally agreed that the Fourteen Points of President Wilson contributed to Germany's defeat: they influenced German public opinion and weakened the will to resist. This success was mainly due to two factors. The points directly affecting Germany were concrete, and the terms they contained were less drastic than German propaganda had led people to expect.

Now, when the belief in victory has been shattered, individual Germans are prepared to draw up a balance sheet on what continued resistance will cost, and what surrender will mean. No secret police can keep them from doing so. The cost of further fighting obviously will be estimated from recent experiences. No propaganda can compete with death and destruction. But both can be made more impressive if the other side of the ledger is filled with the concrete meaning of unconditional surrender.

The opposition to National Socialism in a country as nationalistic as Germany will want to know what risk it is incurring for the nation if it helps to contribute to defeat. At the end of the last war numerically strong groups in Germany were willing for the sake of their own social and political ideologies to disregard or at least to minimize the risks implied in surrender. There is no evidence that a similar attitude will be taken by any group now. The experiences after the last war and the defamation of collaborators during the present one would prevent any but mere adventurers from taking an exclusively domestic view of the defeat of National Socialism.

It would seem that the majority of the Germans are still tied to the present regime by national considerations alone. They have not been won over to either the social and administrative or the racial and international program of National Socialism. The only argument by which they are lastingly influenced in their relation to the regime is that of "national interest." This attitude is of course supplemented but not yet replaced by terror. Against it almost the only appeal which will work in Germany is shock. Basically our propaganda has either to compete in frightfulness with the National Socialist propaganda, or to shock the Germans by the definiteness and finality with which we present to them the results of their defeat. When National Socialism came into power it had prepared public opinion for most of the horrible things it was going to do. It is not correct to say that those Germans who voted the National Socialist ticket did not know what they were doing—rather they had come to accept it as the lesser evil.

In a similar way, even very harsh peace conditions will be more acceptable if they are realistically faced for a while and gradually recognized as the lesser evil. To prepare the German people for a concrete situation after defeat is much more effective than to keep them in suspense waiting for the dreadful unknown.<sup>16</sup> Through the Free Germany Committee the Russians have already staked out certain areas where we have not yet defined our plans. Although the present influence of the Committee's statement on German opinion should not be overrated, it would be dangerous to leave the field to Russia in the future. In addition, we should consider commitments in regard to points where the Russian declaration is vague. Therefore our terms of surrender should clarify territorial, political and social aspects. Until such clarification, Goebbels has the "peace propaganda" all to himself. He is free to implement "unconditional surrender" by all the well known interpretations he puts into the term. As a matter of fact, he seems to be going too far. If we answer him now with definite declarations, it is quite conceivable that the general reaction will be like the reaction to the Fourteen Points, a kind of relief—"Is that all?"

There is little reliable evidence that the Russian form of government as now established is regarded as a true alternative to National Socialism, even by the German Communists or by any others who talk about the "Russian solution." Potentially, the alternative is still a "western solution." But practically there is no choice at all so long as unconditional surrender is not explained. The fear of Russia is still a very strong factor in Germany, but fear of national annihilation is much stronger. If that fear can be dispelled the western solution becomes a true alternative. Since we cannot and will not exclude it, we had better make it real.

Furthermore, it is an established fact that defeated nations first

<sup>16</sup> It can be questioned whether any propaganda from outside will be effective. But since we are making efforts at it anyway, and since we will come closer to the Germans as the front advances, a definite and intelligent line can be taken. The least one can say is that it will do no harm.

react to the experience of superior power by imitating it—a sort of political mimicry which influenced the Kerensky revolution, the German development of 1918 and the Vichy “revolution” in France. To that extent the victor exercises an overwhelming influence on the vanquished. For a limited period which cannot be predicted, the urge for political and social change which grows out of the war can be channeled, but only if the victor himself identifies his success with definite political and social factors. If the Russians and we disagree basically on these factors, the influences on Germany of our respective victories will about cancel each other out. If we can agree on concrete terms, we will have some common ground to serve as a foundation for future cooperation.<sup>37</sup>

It is hopeless to wait for an agreement till after victory is won. One of the basic truths of warfare is that one cannot by political negotiations and manipulations get more from either enemies or allies than is inherent in the military success. The political basis of victory and of security must be laid before the fighting is over. Even more important, conditions now formulated will be the conditions for Hitler. The peace will be Hitler's peace regardless of who will eventually have to accept it. The shock of harsh terms will be identified with the present regime in Germany, and that identification will stick if the conditions prove to be final.

Any later improvements can be used to strengthen or build up whatever forces may lend themselves to cooperation with the victors. Since unconditional surrender must needs be implemented after the war if it is not defined now, its practical terms then will seem harder than its vague and general threat, and the blame for disappointment or disillusion will fall on those who are then representing Germany, in whatever capacity and on whatever level of authority.

<sup>37</sup> Those who doubt that common occupation can be seriously considered may be reminded of the action in Iran. A news item which could not be checked announced a Russian celebration of the Russian-Austrian occupation of Berlin in October 1960 (*New York Times*, October 6, 1943).

## V

It is of course a decision of high policy whether terms shall be given to Germany, and if so what they should be. The following suggestions are predicated only on the preceding considerations and on the purposes analyzed above.

It is necessary to say what unconditional surrender does not mean. Since we gave the Russians precedence in announcing the survival of the German state, we can hardly lag behind them, even if another solution seemed more satisfactory. But we will have to condition any assurances upon guarantees for European peace. We can say that Germany will be left with the boundaries of 1932. Hitler's war, however, makes it necessary to find some form of immediate atonement which affects Germany as a whole. Therefore the future of the Saar Valley should be reconsidered, and a special regime provided for East Prussia, whose fate may have to be settled in connection with a new solution for Danzig and the so-called Polish Corridor.

Within this territory German administrative integrity should be respected. But the federal tradition of Germany should be recognized, and regional autonomy within the Reich accepted and encouraged. This provision is based not on German needs but on the interests of the United Nations. Experience shows that it is necessary to rely heavily on traditional forms and institutions and on native personnel in order to keep the complicated machinery of modern society functioning. Though the problems to be met first are primarily local, the effort of survival must be directed somehow beyond the immediate needs. If the national framework is maintained in principle, a minimum of stability is assured.

The victors should undertake to permit local self-government immediately. Within a certain period after hostilities have ceased in Europe, they should be willing to work with Germans within administrative units on the provincial, Gau or Länder level. It is not possible to state that period except arbitrarily and daringly—which means it should be short. After a further probationary period they should be willing to recognize a national governmental body

and give it freedom to prepare and organize elections, the procedures to be freely negotiated with the German authorities.

The victors should frankly acknowledge that at that time Germany must decide her political future, and that ultimately they do not care what her decision is.<sup>18</sup> They should announce that if she insists on a form which the victors regard as detrimental to the peace of the world they will subject her to preventive measures of international security, but they will not from then on interfere with German domestic affairs. On the contrary, relying on their ability to protect themselves, they should undertake to end any form of occupational supervision after the results of the elections have been ascertained.

The assumption here is that in the long run no regime can be maintained from outside which is not acceptable to the people themselves. It is doubtful whether even the resurgence of National Socialism in Germany would bring about immediate concerted action by all the United Nations. But it is obviously impossible for them to agree now on the kind of regime they would prefer. The only possible solution is to leave the choice to the Germans, and to take protective measures outside Germany, including economic and psychological pressures, if it becomes necessary.

Any call to revolution is omitted from these suggestions. Quite aside from the question of whether any convincing call can come from quarters where revolution is not on the domestic agenda—as it was in Russia in 1917—it seems that the pattern of revolt against totalitarian regimes is already clearly established. It cannot occur as a popular movement, but only through one of the basic forces within the regime itself—party, army, police, bureaucracy—though each may try to gain and may easily receive popular support. It is

<sup>18</sup> See President Roosevelt's address before the White House Correspondents Association, February 12, 1943 (cited above): "No nation in all the world that is free to make a choice is going to set itself up under the fascist form of government or the Nazi form of government or the Japanese warlord form of government." His assumption is probably correct if we do not make the mistake of driving the antifascists into a national coalition with National Socialists, who will go "underground" as a matter of course.



doubtful whether we should seek it, since it is quite impossible to give it protection. The abortive revolutionary movement in northern Italy has deprived the United Nations of thousands of potential allies in the fight against fascism and Germany. A successful revolution could only develop after the defeat, but then it would no longer be needed. As a matter of fact, it is safe to assume that then it would hardly be welcome.

A national government of surrender is also excluded. No one except the present leaders will be responsible for the conditions of defeat. We should deal only with a commander in chief of the German army, with certain national administrators, with voluntary national spokesmen for different groups and interests, and we can safely say that they will derive their necessary authority from their relation to the present regime. Others may want to speak for the nation too, but they would do so without practical authority. Whatever our sympathy, they will not be able to meet our urgent need for immediate results.

In addition, the victors should try to establish now certain patterns for the transition period. They should limit in time as well as in amount the compensation which Germany must make for the tremendous damage done, and do so for their own interest. They should state that the National Socialist party and its active membership will be expropriated, and that otherwise German labor, deliveries and payments shall be equitably assessed and equally borne by all Germans, and that no one in Germany or outside shall profit by any transactions made in recompensation or reconstruction. What Germany will be asked to do shall help exclusively those who suffered losses through German action. To guarantee this it will be necessary to control German production. In this field too participation of managers and workers should be anticipated for the earliest possible moment. Its forms will have to be worked out with local, regional and eventually with national representatives, as they become available.

Finally, the victors should guarantee that this control will not be handed over to anonymous and irresponsible forces of inter-

national cartels and monopolies, but will be exercised through agencies politically responsible to the governments of the United Nations. These governments should encourage democratic safeguards both on the national and the international level.

This is, I think, as far as anyone can go without pretending that we can do more in foreign lands than we are willing or able to do in our own front and back yards.

Since it cannot be foreseen what form of government and administration, and what economic and social structure, the German people will choose, it is necessary to protect other peoples from German attack. Therefore military occupation should be proclaimed for some time after the end of hostilities in order to disarm and dissolve the National Socialist party, to transform part of the army into an auxiliary police, and to bring to trial the war criminals. But only those who can be apprehended during this period should be prosecuted. After this time the matter should be left to German law and German courts.

It should be announced that our victory will make it possible for qualified individual German citizens to cooperate in civilian administration after the military occupation is ended; and that administrative functions will be turned over to German agencies according to a timetable similar to that which should be established for the development of political self-government.

This program seems to accord with the present functioning of the military government in Italy, and with the traditions and international conventions on military occupation so flagrantly violated by Germany. The wider military government spreads, the more impossible it will be to deviate fundamentally from the practices it evolves.

But it will be possible, and highly important, to stick to the timetable for reorganizing civilian authority. I do not presume to suggest definite periods. But whatever they are, they should be kept regardless of difficulties, again in our own American interests. These set times would assure the American people that there will be limits to the burdensome task of governing foreign countries.



They will give to American soldiers the comfort of a visible end to service abroad after the fighting is over. They will reassure the world at large that the United States intends to do, which decidedly means to finish, a job. We all know that deadlines are a strong incentive to do on time what must be done anyway.<sup>10</sup>

Finally, it may be wise to go beyond the German problem, and to improve the Russian approach by emphasizing certain international aspects. If international agencies are set up, and if former nonbelligerent countries participate in their functioning and share in their authority after the war, then individuals of the Axis nations should be invited to a similar participation. If elections in Germany, a transformation in Japan and cooperation in Italy result in governments which qualify their people for international cooperation, then those governments should be offered an equitable share in whatever international organization is functioning at that time.

## VI

Such conditions of unconditional surrender set a pattern which is not irreconcilable with the strongly expressed Russian view. It can be applied to Japan also. It does not prejudice a European solution. It leaves room for freedom and democracy. Yet it does not commit us to experiments which we cannot risk because of our domestic situation, nor does it force us to await miracles which we have no reason to expect.

I cannot help thinking that in the long run it will have a favorable influence on the Germans (and in a corresponding form on the Japanese later). But even if I am mistaken in this last assumption, there is ample evidence that the peoples of the Axis are used to being told and should be told. They are made suspicious, on the basis of their own political philosophy, if we tell them what is good

<sup>10</sup> Since we are concerned here with what should be *announced now* rather than with what must be *done later*, the arguments presented do not exclude the possibility that under the impact of defeats outside her own territory and of air attacks, Germany will undergo such changes that military occupation becomes either impracticable or unnecessary.

for them. But if they understand that we know what is good for us, that we know how to get it, and that only then are we willing to share it with them, it will make sense.

Under the terrific pressure of German ruthlessness and cruelty, the general trend seems to be toward conserving what is left, restoring what is destroyed, protecting what is established. It seems hardly possible to reverse that trend entirely when it comes to dealing with the enemy. The whole structure of the United Nations compels us to start from a status quo ante rather than to go in for revolutionary changes. It even seems that the unpredictable but obviously enormous emotional changes caused by the experience of this war make people cling to familiar institutions.<sup>30</sup> Under these circumstances a call for careful conservation rather than for revolution may make sense.

To make sense is not too easy in a world shaken by irrational forces. But it is nevertheless an absolutely essential part of the human effort we are committed to undertake, and it is an indispensable element of the greater security under liberty we are seeking.

<sup>30</sup> There is, for instance, an unmistakable market for monarchs in some areas of the world.

# PAN-AMERICANISM AND THE UNITED NATIONS

BY HANS AUFRICHT

THE United Nations and Pan-Americanism are much discussed at present. Many people are inclined to look upon their present organizational set-up as separate patterns or nuclei of future world organization. The interrelationship of these two power-groups, however, has apparently been neglected, and since more than one third of the United Nations—thirteen out of thirty-three—also belong to the inter-American system, a comparison of the two international organizations suggests itself.

In at least two respects the United Nations and Pan-Americanism operate on identical principles: both groups have pledged themselves to avoid intra-group conflicts; and both have recognized the Atlantic Charter as the basis of their present and their future policy.

## I

The Atlantic Charter, originally an agreement between the United Kingdom and the United States, was expressly adopted as an integral part of Pan-Americanism at the Conference of Rio de Janeiro in January 1942. The resolution of adoption welcomes the inclusion in the Atlantic Charter of principles which constitute the juridical heritage of America. How far the Charter actually coincides with Pan-American tradition was not made explicit in the Resolution, for the rather vague reference to the Convention on Rights and Duties of States (Montevideo, 1933) is not an indication of specific pledges as to the future of international relations. However that may be, the principles of the Atlantic Charter have been adhered to by all the American republics.

The Four Freedoms, according to President Roosevelt's message,

are to be established and safeguarded everywhere in the world. Only two of them, freedom from want and freedom from fear, are touched upon in the Atlantic Charter, while the promise of religious freedom is expressly embodied in the United Nations Declaration of January 1, 1942. Thirteen members of the inter-American organization have signed this Declaration, thereby undertaking not to make a separate armistice or peace, and pledging economic, military and political cooperation in the common war effort.

The American republics and the United Nations are doubly linked. There is a direct relationship among those states which belong to both the inter-American and the United Nations systems; and there is also an indirect relationship between the United Nations and the republics which belong to the inter-American system but have not adhered to the United Nations declaration. It may be difficult in actual situations to differentiate exactly between direct and indirect effects, but the distinction may at least be accepted as a working hypothesis.

Thus the United Nations and the inter-American organization complement each other in many respects. Above all, the political solidarity of the western hemisphere no doubt enhances the power and prestige of the United Nations, while the military efforts of the United Nations help to protect the western hemisphere from acts of war.

## II

The Monroe Doctrine was never intended to detach this hemisphere from the rest of the world economically. On the contrary, its declared purpose was to discourage political dependence on Europe, but to encourage economic relations with continental Europe and Great Britain. Had the political principles of the Monroe Doctrine been transferred to the economic sphere, the result would have been a closed inter-American market; but western hemisphere policy was never carried so far.

The various stages and interpretations of the Monroe Doctrine need not be analyzed in this connection. It is sufficient to note that

only a few years ago the revival of interest in inter-American affairs was conspicuously accompanied by commendation of a new line of American foreign policy—continental isolationism. It seems that what response there was to continental isolationism was more enthusiastic in the United States than in the Latin American republics, but at times the Latin American states too displayed a mounting interest in its problems.

Immediately after World War I several Latin American countries joined the League of Nations. From about 1920 to 1930 many, if not all, of these countries looked upon their membership in the League as a safeguard against United States political preponderance in the western hemisphere. But the decline in the prestige of the League as an instrument of international policy, accompanied by President Roosevelt's good neighbor policy, was conducive to a new consciousness of inter-American solidarity.

By the end of 1938 the rapid deterioration of the European political situation brought about by Germany's threats and acts led to a new expression of inter-American solidarity in the Declaration of Lima. Though certain features of continental isolationism can be read into the Declaration, any intent of pursuing such a policy was expressly denied as late as a few months after the outbreak of World War II. Thus it was officially stated that the principles of continental solidarity "are free from any selfish purpose of isolation."

After 1939 the desire to avoid war brought about a series of measures designed to dissociate the western hemisphere from the rest of the world. An attempt was made to establish a safety zone around the hemisphere by extending the traditional width of so-called territorial waters in international law to three hundred miles. As the proposed security belt was never recognized by extra-American powers, it remained simply a proposal. Nevertheless, its underlying idea is still noteworthy as a symptom of continental isolationism. Later, the foreign ministers of the American republics proclaimed jointly that any attack or threat of attack on the territory or the political independence of an American state by a non-

American state would be considered an attack on all of them.<sup>1</sup> Thereby a principle of collective security, modeled after Article X of the League Covenant, was recognized by the American republics and subscribed to by the United States.

Certainly the pledge to defend American territory and political independence collectively is more than the mere replacement of a unilateral arrangement such as the Monroe Doctrine with a bilateral one: it sets forth a fundamental principle of mutual assistance and cooperation for common defense. To understand the truly revolutionary character of this step, it suffices to remember that, in the past, hemisphere defense under the Monroe Doctrine was considered as entirely in the discretion of the United States, for American state practice held that no Latin American state had a right to claim the military assistance of the United States by appeal to the Monroe Doctrine.

At the Rio de Janeiro Conference in 1942 it was recommended that diplomatic relations with Japan, Germany and Italy should be severed, on the ground that these three powers were at war with "an American country"—the United States. The policy thereby laid down has been put into effect by all the American countries which have not declared war against the Axis and its satellites, with the exception of Argentina. The latter country, though often called "neutral," has granted rights of nonbelligerency to the United States and its cobelligerents.

From a strictly legal viewpoint there are no longer any neutrals in the western hemisphere. As of July 1, 1943, the legal status of the American republics is that thirteen have declared war and signed

<sup>1</sup> See Resolution XV, Second Meeting of Ministers of Foreign Affairs of the American Republics, Havana, July 21-30, 1940: "... any attempt on the part of a non-American State against the integrity or inviolability of the territory, the sovereignty or the political independence of an American State shall be considered as an act of aggression against the States which sign this declaration." See also Resolution I, Third Meeting of Ministers of Foreign Affairs of the American Republics, Rio de Janeiro, January 15-28, 1942: "The American Republics reaffirm their declaration to consider any act of aggression on the part of a non-American State against one of them as an act of aggression against all of them, constituting as it does an immediate threat to the liberty and independence of America."



the United Nations Declaration (Bolivia, Brazil, Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, the United States); seven have severed diplomatic relations with the Axis powers (Colombia, Ecuador, Paraguay, Peru, Uruguay, Venezuela, Chile); Argentina has granted rights of nonbelligerency to American belligerents.

In addition, several other methods have been devised to strengthen the defense of the hemisphere. Agreements on the lease of defense areas have been concluded by the United States with several American and non-American states. Joint action with Brazil has been taken in Dutch Guiana; arrangements with Great Britain have been concluded with regard to the Caribbean area. The United States has occupied Greenland and Iceland by special agreement with the Danish and Icelandic governments, on the guiding principle that the defense of these areas against attack from a non-American state is essential to the preservation of the peace and security of the American continent.

The United States has concluded several bilateral agreements with individual Latin American countries regarding military missions. These agreements are noteworthy because they permit United States military forces to operate in these countries but exclude other foreign forces. A similar policy of exclusiveness has been pursued with respect to airlines controlled by foreign groups. Some economic measures, such as the freezing of foreign funds and the withholding of export licenses, were likewise taken with a view to expelling the Axis from the economic affairs of this hemisphere.

The practice of continental solidarity has taken on many features of exclusiveness which, if multiplied, would bring about continental isolationism. Yet it should not be forgotten that continental exclusiveness was repeatedly declared to be but a temporary aim of Pan-Americanism, and that the long-term policy of the American states was and is to "coordinate their own interests with the duties of universal cooperation."<sup>3</sup>

<sup>3</sup> Resolution XVI, Second Meeting of Ministers of Foreign Affairs of the American Republics, Havana, July 21-30, 1940.

It is no exaggeration to say that the most conspicuous reversal of the trend toward continental isolationism is the fact that more than half the American republics have adhered to the United Nations Declaration, for adherence to that pact links the American republics with the British Commonwealth, some parts of Europe and Africa, Soviet Russia and the Far East.

### III

There is now a widespread belief that a lasting improvement of international relations in the postwar world can be attained by the establishment and continuance of so-called international administrative agencies. Whatever the precise meaning of this term may be, it should be clear from the outset that successful operation of these agencies would depend upon the character and wisdom of the policies they are to carry out; an adequate organizational structure, division of functions and coordination; and the method of selection and the quality of the administrators. These requirements, which are indispensable for the successful operation of any domestic administration, are at least equally essential in international administration.

But even if it is granted that international machinery is desirable and may counteract international friction, provided the above minimum requirements are observed, there is still the question of just how the existing administrative agencies can contribute to the promotion of the inter-American and United Nations cause. At present inter-American cooperation is furthered through the performance of specific functions by existing administrative agencies. The objectives of a number of these agencies are described in the paragraphs that follow.

Since orderly monetary and credit relations are an essential factor in continental solidarity, it has been suggested that an inter-American bank be created, and in 1940 a Convention for the Establishment of an Inter-American Bank was opened for signature at the Pan American Union. The bank would assist in stabilizing the currencies of the American republics, function as a clearing house



for the transfer of international payments and facilitate investments as well as stimulate the full productive use of capital and credit. Several other purposes, apart from the genuine banking functions, have been outlined in the documents attached to the Convention. The Inter-American Bank is not yet in existence, since the necessary number of ratifications and subscriptions to the shares of the Bank has not yet been secured. In the meantime, the *Export-Import Bank of Washington*, established in 1934, fulfils on a bilateral basis some of the functions which are to be entrusted to the Inter-American Bank in the future. It furnishes loans to assist in the improvement of Latin American transportation systems, extends credit to central banks, and advances credits for public and other useful work projects.

The *Inter-American Financial and Economic Advisory Committee* is another agency entrusted with a great variety of functions in the economic sphere. Though primarily designed to deal with the specific difficulties resulting from the loss of foreign markets because of the war, its basic program is rather comprehensive. In particular, the problem of finding adequate outlets for surplus commodities will require careful consideration even after the end of the war. Also, the general mandate to foster the economic development of the American countries by diversifying their production and increasing their production capacity will necessitate wise planning and efficient administration.

The functions assigned to the *Inter-American Development Commission* partly overlap those of the agencies mentioned above. Among the exclusive purposes of this Commission is the stimulation of noncompetitive imports from Latin America to the United States and the encouragement of industrial development, with particular regard to the production of consumer goods.

The *Office of the Coordinator of Inter-American Affairs* is concerned with the coordination of cultural as well as economic activities within the hemisphere. The fact that the Coordinator is also Chairman of the Inter-American Development Commission, however, indicates the importance of the Office in the economic field.

The *Inter-American Coffee Board*, operating under the authority of the Inter-American Coffee Marketing Agreements (signed November 28, 1940)<sup>3</sup> is an outstanding example of an international agency supervising the marketing of a basic commodity in behalf of individual countries. It is very likely that in the future the administration of many marketing and other international trade agreements will be entrusted to administrative bodies similar to the Inter-American Coffee Board.

Outside the field of economics, several administrative bodies have been set up to implement the policy of hemisphere defense, although the *Inter-American Defense Board* is virtually the only one devoted to genuine military defense measures.

The *Inter-American Juridical Committee* is the successor to the Inter-American Neutrality Committee. Its object is the study of legal issues arising from the present war, and the formulation of constructive proposals to be submitted to the individual governments after the Pan American Union has been duly informed.

<sup>3</sup> The Inter-American Coffee Agreement became operative on April 15, 1941. On April 17, 1941, the Inter-American Coffee Board convened for the first time at the Pan American Union in Washington. For a detailed analysis of the agreement, see Paul C. Daniels, "The Inter-American Coffee Agreement," *Law and Contemporary Problems*, vol. 8 (Autumn 1941) p. 708. The most important single function of the Board is adjustment of the coffee quotas in accordance with the needs of the market. For example, on October 23, 1941, the quotas for the United States market were set by unanimous resolution of the Board at 110 percent of the basic quota, because of the extraordinary circumstances prevailing at that time (see Daniels, *loc. cit.*, p. 718). According to Wilson, "At the end of the quota year 1940-1941, practically all Latin American countries had shipped almost their full quota." (See O. Wilson, "A Review of the Effect of War on Imports of Tea and Coffee," *Tea and Coffee Trade Journal*, vol. 82, March 1942, p. 11). The *World Economic Survey, 1941-1942* of the League of Nations summarizes the effect of the Inter-American Coffee Agreement as follows (p. 49): "Brazil and other coffee-producing States (including Colombia, Venezuela and Salvador) benefited by the American Coffee Agreement of November 1940, under which each of them was assigned a quota on the United States market. This arrangement, to which the United States was a party, led to a substantial rise in coffee prices in 1941, which more than counterbalanced the quantitative limitation of exports. Colombian coffee exports, for example, declined by a third in quantity from 1940 to 1941, but rose by 13% in value. Coffee being still the principal export product of Brazil, the improvement in its price was mainly responsible for the 35% increase in the total value of Brazilian exports from 1940 to 1941." The author has had no chance to consult V. D. Wickizer, *The World Coffee Economy with Special Reference to Control Schemes* (Food Research Institute, Stanford University, 1943).

The purpose of the *Emergency Advisory Committee for Political Defense*, a new agency, is the prevention of all acts of aggression of a nonmilitary character, including espionage, sabotage and subversive propaganda. Its official name implies that its activities are limited to the present emergency.

The *Inter-American Commission for Territorial Administration* was established in accordance with the Convention on the Provisional Administration of European Colonies and Possessions in the Americas. Although its basic purpose is to prevent the transfer of territorial jurisdiction in America from one European power to another in the course of World War II, the Commission is not merely a defense agency. It is intended above all that the provisional administration of these territories shall follow enlightened principles of international colonial administration rather than the pattern of military occupation. It is this feature which might commend itself for application elsewhere during the period of transition from war to peace.

The *Pan American Sanitary Bureau* is a clearing house of information on sanitation questions. According to its statute it may also undertake epidemiological and other studies, encourage and facilitate research, and cooperate in the exchange of public health experts.

This enumeration of existing agencies for inter-American cooperation is far from complete, for there are more than seventy official, semi-official and private agencies working in the field. The agencies mentioned here have been selected because their structure as well as their objectives seems of particular importance, not only in the present situation but also for postwar international organization. It is to be expected that this pattern and experience will be utilized outside the sphere of Pan-Americanism whenever international agencies are called upon to perform similar functions.

It is beyond the scope of the present article to evaluate these agencies as eventual models for postwar international organization. Only one factor, the problem of representation on these boards, will be described here in detail, for it is conceivable that several of the

devices used in the Pan-American sphere might be applicable in other regions.

The voting procedure devised for the Inter-American Coffee Board is interesting because of its exceptions to the unanimity principle which still prevails as the standard rule in international procedures. The basic agreement provides that decisions of the Board shall be taken by a simple majority vote, and that the computation shall be made on the basis of the total votes of all the participating governments (Article XIV). Allowance is made for a quorum. The delegates of the United States have 12 votes; Brazil, 9; Colombia, 3; all the other participants (Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Peru, Venezuela), 1 vote each. The basis of computation in this instance is apparently the productive or consumptive capacity of the countries concerned. The United States, as the main consumer country, has the greatest voting power; the representation of Brazil and Colombia is in proportion to their productive capacity. Regardless of whether the actual distribution of votes in this particular case is a just one, the underlying idea that the voting power on international economic boards should reflect the productive or consumptive capacity of the countries represented deserves consideration.

A different technique of representation is envisaged in the Draft of By-Laws of the Inter-American Bank. Here the American states are classified into eight categories, A to H, in order to allot to them varying numbers of shares at a par value of \$100,000. Accordingly, each member state classified under Group A, which includes Costa Rica, Ecuador, El Salvador, Haiti, Honduras, Nicaragua and Paraguay, may have five shares, whereas each member of Group H, which includes Argentina, Brazil and the United States, is entitled to 50 shares. The members belonging to Groups B to G are authorized to subscribe for from 10 to 35 shares. It should be noted, furthermore, that the number of shares to be allotted to the individual countries is determined in relation to the dollar value of their total foreign trade for 1938. The voting power of individual govern-

ments would be proportionate to their ownership of shares, a noteworthy suggestion for possible deviations from the dogma of the formal equality of states.

The Inter-American Juridical Committee represents another kind of deviation from the equality dogma. On this board, seven eminent jurists act on behalf of all twenty-one American republics.<sup>4</sup> But since the activities of this Committee are confined to research and recommendations, the voting power of its members can make itself felt only indirectly.

The Inter-American Commission for Territorial Administration is empowered to act on behalf of all the American republics. Here again no rigid adherence to the unanimity principle is required. It has been provided that a two-thirds vote of the members of the Commission shall constitute a quorum, and two thirds of the members present may adopt decisions. Moreover, the actual administration may be exercised by one or more American states, and is to be considered as on behalf of the community of American republics.

Inasmuch as the unanimity principle has often been held a bar to international understanding, these new techniques applied in inter-American administration may contribute to the approach to similar international issues.

#### IV

The inter-American agencies which have thus far been described are, in general, independent of each other. The Pan American Union, although it is loosely organized, frequently acts as a coordinating body. Through its centralization of information on American developments, the Union is an effective force in integrating the multifarious administrative agencies at work in the Americas. Moreover, the Conference of Lima (1938) resolved that the Governing Board of the Union should endeavor to make effective the resolutions of the Pan-American conferences, in cooperation if necessary with existing organizations.

<sup>4</sup> See C. G. Fenwick, "The Inter-American Juridical Committee," *American Journal of International Law*, vol. 37 (January 1943) p. 6 ff., especially p. 7, note 7.

The Pan American Union also encourages the establishment of National Pan-American Committees designed to disseminate information about the work of the Union in individual countries. The underlying principle, embodied for the first time in a resolution of the Lima Conference, is undoubtedly a sound one.<sup>5</sup> Up to now, however, the principle has been put into effect only in Cuba, and even there for but a short time. Generally speaking, it is likely that a broader application of the principle would enhance inter-American cooperation, for partial decentralization of the complex machinery of the Pan American Union would probably foster the rapprochement between it and individual American countries.

In addition to the organization of American republics centering around the Pan American Union, Lend-Lease transactions, from which most of the Latin American countries benefit at present, may prove an integrating factor in Inter-American relations. The defense of almost all the Latin American countries has been declared to be vital to the defense of the United States. Even though the greater part of Lend-Lease aid has thus far come from the United States, President Roosevelt's statement that "Lend-Lease is no longer one way"<sup>6</sup> should not be forgotten. Lend-Lease has become the basis for a multilateral and mutually complementary exchange of goods and services among all the partners to its arrangements. Thus it is to be hoped that "the arrangements effected under the lend-lease program may contribute profoundly to post-war economic and financial stability, and the master agreements declaring the policy of the United States in this area make lend-lease a part of a coherent plan for reconstructing and revitalizing the world economy . . ."<sup>7</sup>

<sup>5</sup> For a similar proposal, see United Nations Conference on Food and Agriculture, May 18 - June 3, 1943, *Final Act and Section Reports, Conference Series 52*, Recommendation VII concerning the establishment of "national nutrition organizations" (Department of State, Washington 1943) p. 14.

<sup>6</sup> See President Roosevelt's letter to Congress accompanying the Fifth Report on Lend-Lease Operations, June 11, 1942, *Congressional Record*, June 15, 1942, p. 5358.

<sup>7</sup> From the President's Report on Lend-Lease Operations, 77th Congress, 2nd Session, House Document No. 661.



## V

Pan-American organization has often been called the outstanding example of a regional organization of international affairs. Since regional organization is frequently considered a corollary to universal organization, the relationship of universalism to regionalism needs to be examined.

It should be clear from the outset that neither universalism nor regionalism has ever been realized. The League of Nations, undoubtedly the most comprehensive scheme of international organization thus far attempted, was never truly worldwide, and at no time included all the members of the community of nations. Though almost every state except the United States was a member of the League at one time or another between 1920 and 1938, the Covenant itself allowed not only for regional arrangements within the broader framework of the League (Article XXI), but also took for granted the existence of outsiders, at least for the time being (Article XVII). Conversely, no regional organization including a multiplicity of states was ever wholly self-sufficient in the sense that it entirely excluded extra-regional powers.

In theory, universalism is all-embracing and regionalism is exclusive. Its exclusiveness may be reflected in an unwillingness to admit new members to a regional group, in a refusal to deal with extra-regional powers, or to treat them on an equal basis with powers belonging to the group. An attitude of this kind is occasionally styled "closed regionalism," although this term is by no means unequivocal. "Open regionalism" has been suggested as a compromise between the conflicting principles of universalism and regionalism. But universalism and closed regionalism are types of social organization—a political movement may aim at one or the other—while open regionalism is not a goal but a point of departure. Open regionalism, as the term is frequently used, describes an actual situation tending toward another situation. For example, special advantages that at a given moment are granted exclusively to the members of a regional grouping may in the future be extended to outsiders. In short, while universalism and closed regionalism are

systems of international organization, open regionalism is not a system but a situation, which at best may serve as a dynamic pattern. It may be said that the difference between closed and open regionalism is that the first is by definition anti-universal, while the second is a type of regional organization with a tendency toward abandoning regional exclusiveness.

How does this apply to Pan-Americanism and the United Nations? Since 1939 the Pan-American conferences have repeatedly declared that their measures entailing hemisphere exclusiveness are to be taken as mere temporary expedients. Time and again universal cooperation rather than closed regionalism has been held out as the ultimate goal of all-American policy. Under the impact of World War II, it is true, the development of Pan-Americanism has indicated a certain trend toward continental isolationism. Nevertheless, even before the advent of the United Nations organization western hemisphere policy was one of open regionalism, in the sense that regional exclusiveness was to be replaced as soon as possible by interregional cooperation.

Those Latin American states which have joined the United Nations have thereby abandoned continental isolationism in more than one respect. They apparently look beyond the confines of the hemisphere. Moreover, the United Nations themselves, as an organizational unit, tend to attract an ever-growing number of nations, with the ultimate intent of encompassing the whole world. But until this stage has been reached it is fitting to characterize the United Nations grouping likewise as open regionalism.

Another example of open regionalism is Article VII of the mutual aid agreement between Great Britain and the United States. This provision, which has often been hailed as the cornerstone of postwar economic reconstruction, starts from the situation as of 1942 and envisages the gradual extension of the benefits inherent in Lend-Lease aid. To that end, future agreements by the United States and the United Kingdom shall "be open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of produc-



tion, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples. . . . " Furthermore, abolition of all forms of discriminatory treatment in international commerce shall be a future aim. It is obvious, however, that for the present transactions under the Lend-Lease Act of 1941 will have a deliberately discriminatory effect. From a static viewpoint Article VII appears inconsistent, for it is incompatible with a static doctrine of closed regionalism. As a dynamic pattern, however, it is a promising device, typical of similar attempts to conduct economic policy along the lines of open regionalism.

## VI

The Pan-American and United Nations organizations are often separated in theory, but they are certainly interrelated. There exists today a significant interaction in many fields between the two power-groupings. For example, the economic welfare of the Latin American states now concerns not only the Latin American countries, for the United States and the non-American United Nations are particularly concerned in the economic wellbeing of all the American states.

Lend-Lease arrangements with the Latin American republics have created an entirely new kind of inter-American economic relations. Under these arrangements, the individual American businessman no longer trades directly with the private customer in a foreign country, but delivers his goods to the United States government, which in turn handles them in accordance with the principles set forth in the Lend-Lease Act and supplementary international and departmental agreements.

From the viewpoint of reciprocal Lend-Lease aid, all the beneficiaries of Lend-Lease transactions have a vital interest in economically sound inter-American and United Nations political relations. On the whole, the economic resources of all the American republics are, especially in wartime, a definite asset which benefits all the anti-Axis powers.

It cannot be denied that at present transportation difficulties in particular hamper the full flow of goods and have unpleasant repercussions in several Latin American countries. But the various administrative agencies devised in behalf of inter-American economic security and development undoubtedly contribute toward counteracting the economic impact of war on the Americas.

As previously indicated, the military defense of the Latin American countries which are not yet members of the United Nations organization rests primarily on members of the United Nations. It is a truism that the occupation of Dakar and of strategic parts of North Africa has, at least for the time being, greatly increased the military security of the western hemisphere.

#### VII

Nowadays many people advance blueprints for the future organization of the United Nations. The overwhelming majority seems inclined to think that the structural devices for effective political and strategic cooperation among the United Nations are still in a rather primitive stage.

Innumerable proposals to reorganize the United Nations set-up are discussed. Opponents of clear-cut legal schemes suggest muddling through and adjusting the prevailing administrative techniques on a day-to-day basis. Those who go to the other extreme want to establish here and now the constitutional powers to be entrusted to regional or world federations, and to assign in detail to the individual members of the United Nations their future positions and functions. It seems that the statesmen in power tend to steer a middle course between these two extremes.

Strangely enough, it has often been overlooked by the critics of the United Nations organization that there are within the United Nations set-up at least two time-honored suborganizations—the British Commonwealth of Nations, with the exception of Ireland, and the thirteen countries which are members of the Pan-American system. These organizations, of much longer standing than the United Nations, are apt to exert an integrating influence on the

group. And methods of cooperation previously developed within these organizations may prove useful in the present war effort and in the postwar world.

Even though the Pan-American organization proper lacks precise rules of procedure which clearly differentiate between decisive and advisory votes of its members, the custom of periodic consultation among the delegates of the American republics has brought about a technique of international understanding that has led to many satisfactory results. The fact that all the American republics have a right to be represented at the monthly meetings of the Governing Board of the Pan American Union, for instance, has many definite advantages, including the elimination of those rivalries which within the League system centered around the competition for seats at the Council table. Discrimination between the great and small powers, which so often poisoned the atmosphere of Geneva, has thus been avoided. The genuine merits of the consultation technique applied in inter-American deliberations should be considered, particularly with reference to the near future and the period of transition.

Pan-American conferences have used another device to overcome the traditional slowness of international decisions, a problem which is often aggravated by cumbersome constitutional ratification procedures. Through resolutions and joint declarations, inter-American rules have been developed and general policies outlined. Actually these resolutions are collective international agreements, though of a rather informal type.

The considerable number of international administrative agencies designed to fulfil a great variety of functions may likewise serve as models; and their coordination through the work of the Pan American Union, though still open to improvement, is a further example of the operation of numerous individual boards with one integrating agency.

Despite all these remarkable achievements, the difficulties still existing should not be overlooked. The war, which has helped to bolster hemisphere cooperation, has also had disintegrating effects

in many fields. These effects will hardly disappear so long as the exigencies of United Nations strategy require a rather rigid scheme of priorities.

Generally speaking, one should beware of a blind belief in the efficiency of international administrative machinery. The willingness of states to cooperate in such agencies under the threat of war may indicate a certain abandonment of narrowminded nationalistic policies. But no machinery, even though perfectly designed on paper, can automatically settle the complex problems of today and tomorrow. International lawyers and economists should not expect too much from institutional innovations. In the long run, they may be as ineffective as the premature relaxation of control after World War I.

It is unlikely that any constitutional convention could today work out a perfect plan for world organization, for the actual power relations that will prevail when hostilities cease are not yet clearly discernible. Even the best structural device might soon become meaningless unless there is a clear understanding of the social functions of future international organizations. Furthermore, internal conflicts among the members of the United Nations and related groupings might endanger their vitality. It should never be forgotten that legal structures are by definition inhuman devices, and hence rightly called machinery. Though there may be a kernel of truth in the old call for "government of law, not government of men," what is really needed now and in the future is a government of law by men and for men.

The United Nations, in order to become truly united, should agree on essentials, though they may differ in details. But they should never rely on the automatism of purely administrative techniques. They should constantly watch the soundness of their policies and the efficiency of their administration. In this connection, a few sentences spoken by Benjamin Franklin in the Constitutional Convention in Philadelphia appear pertinent:

"Thus I consent, Sir, to this Constitution, because I expect no better, and because I am not sure that it is not the best. The opinions

I have had of its *errors* I sacrifice to the public good. I have never whispered a syllable of them abroad. Within these walls they were born, and here they shall die. If every one of us in returning to our Constituents, were to report the objections he has had to it, and endeavor to gain Partisans in support of them, we might prevent its being generally received, and thereby lose all the salutary effects and great advantages resulting naturally in our favor among foreign nations, as well as among ourselves, from our real or apparent unanimity. Much of the strength and efficiency of any government, in procuring and securing happiness to the people, depends on *opinion*, as well as on the wisdom and integrity of its governors. . . . I hope, therefore, for our own sakes, as a part of the people, and for the sake of our posterity, that we shall act heartily and unanimously in recommending this Constitution, wherever our Influence may extend, and turn our future thoughts and endeavors to the means of having it *well administered*."

(*Commission to Study the Organization of Peace*)

# THE SHARE OF CAPITAL IN NATIONAL INCOME

*United States, United Kingdom and Germany*

BY JULIUS WYLER

## I

FOR generations economists have been endeavoring to discover laws which determine the distribution of income among the factors of production. Statisticians of various countries have now obtained enough factual information to indicate the share of capital returns, entrepreneurial earnings and compensation for labor in national income, thus bringing to light some of the fundamental characteristics of a nation's economy and also of its social structure. An international comparison, of course, would reveal traits which are common to the different nations as well as those which are unique in specific economies. But the few existing comparative studies have pointed out primarily the similarities, and show that the share of capital income (including entrepreneurial income) in the income totals is generally between 30 and 40 percent.<sup>1</sup> A range of 10 percent, however, is certainly no trifle, not to mention the possibility of an even greater difference in the composition of capital income (interest, dividends, other profits). Moreover, these comparisons are not valid because the national statistics are based on different principles and are therefore not fully comparable—a point of major importance, especially with regard to capital income.

The computation of total capital income involves three main problems and various means have been found for coping with each. The first problem concerns interest on certain governmental loans:

<sup>1</sup> See Paul H. Douglas, "Wage Theory and Wage Policy," *International Labor Review*, no. 39 (1939) p. 335. Figures for more recent years in Colin Clark, *The Conditions of Economic Progress* (London 1940) pp. 408-14.



is it only an income transfer or really part of national income? Interest on governmental debts, for instance, is excluded from British estimates of capital income, but is included in the national income figures of the United States and Germany. The second problem deals with income taxes of corporations and real estate taxes. Such taxes can be considered as business costs and deducted from profit and rent, or they can be interpreted as being equivalent to those income taxes which continue to be included in the business and labor incomes of individual taxpayers. The British and German income estimates follow the latter principle (although local rates or property taxes are deducted), whereas in the American income figures corporation tax is subtracted from profits and real estate tax is deducted from rent. The third problem concerning estimates of capital income relates to profits. The amounts shown in the business balance sheets may either be used without change or be adjusted for the purpose of income estimates. In the statistics of the United States Department of Commerce, these corrections are limited to losses or gains on sales of capital assets. The figures for Great Britain are adjusted for accounting gains or losses due to revaluation of inventory. The German income statistics include an additional item for concealed profits.

A further difficulty in making comparisons lies in the incompleteness of the capital income statistics. The exclusion from the official American statistics of rent for owner-occupied houses constitutes a major gap.

A particular discrepancy affecting the classification of capital income results from the fact that this income changes form during its flow from the origin to the ultimate recipient. This is especially true with regard to rent, which can be distributed as rent, as mortgage interest or even as profits by real estate corporations. Thus, in the British statistics the statistical item "rent" means net income from land and buildings, including derived mortgage or bond interest, and profits.<sup>2</sup> In the American and German statistics, however,

<sup>2</sup> This item corresponds to assessments for income tax under schedule A, which, however, omits real estate in some industries and houses mortgaged by building societies.

rent is a residual item, as rent payments to corporations and loan interest are excluded. But between the estimates for the United States and for Germany a new difference emerges, in so far as the former computations take account of rent paid to banks and life insurance companies (so-called associations of individuals), the latter only of rent paid to individuals.

In what follows we shall try to compare the structures of capital income in the United States, the United Kingdom and Germany by introducing mutually adjusted and specified figures. The results, however, can not be made perfectly comparable because complete data and detailed knowledge of the methods employed are lacking. For the same reasons the classification of capital income into rent, interest, profits and corporate savings must be only a rough approach.

The adjustments made here relate only to capital income, since the figures for labor income are fairly comparable.<sup>3</sup> The corrections have been made in the simplest way possible without arbitrarily forcing the original data into a preconceived concept of national income. The figures for national income in the following tables exclude income taxes on corporation profits and—with negligible exceptions—all taxes levied upon rent. Moreover, they exclude interest on governmental loans for consumptive purposes; they include imputed rent on owner-occupied houses. No corrections have been included for mere accounting losses or gains due to revaluations of inventories.<sup>4</sup>

<sup>3</sup> In the official statistics, social security contributions of entrepreneurs included in labor income are shown separately, as are the special old-age benefits in the German statistics and work relief wages in the American. This is the only comparable specification of labor income. The existing figures on wages and salaries can not be used for international comparison without exact inside knowledge of the underlying definitions and study of the industrial composition.

<sup>4</sup> The basic sources for the income estimates made here are as follows. For the United States—*Statistical Abstract*, 1941; U. S. Department of Commerce, *Income in the United States, 1929-1935* (Washington 1936), *Income in the United States, 1929-1937* (Washington 1938); "National Income Exceeds 76 Billion Dollars in 1941," *Survey of Current Business* (June 1941). For the United Kingdom—Colin Clark, *National Income and Outlay* (London 1937); "British White Paper on War Finance, 1942" in *Federal Reserve Bulletin*, Washington, June 1942. (A. L. Bowley, in *Studies in National*

The choice of the years to be compared presented other difficulties, for the same calendar years reflect different business conditions in the various countries. In order to draw an international picture

*Income*, Cambridge 1942, published yearly figures for each year from 1924 to 1938, but in this article the more elaborated official estimates for 1938 have been preferred. According to Bowley there was no change in national income from 1937 to 1938.) For Germany—"Das deutsche Volkseinkommen vor und nach dem Kriege," *Einzelschriften zur Statistik des deutschen Reichs*, no. 24 (1932); *Wirtschaft und Statistik*, 1939.

The following specific adjustments have been made in figures for income totals used in this article, in order to establish a basis for comparison.

The estimate for nonagricultural rent in the United States has been taken from Simon Kuznets, *National Income and its Composition, 1919-1938* (New York 1941), rather than from the official estimate, because the Kuznets figure includes imputed rent. Rent on farmers' dwellings has been computed from data in *Statistical Abstract*, 1941 and *Income in the United States, 1929-1935* (cited above).

The German estimates of income totals include as a special item the difference between tax payments made by consumers and the value of governmental services to consumers (1,475 million dollars in 1929 and 920 million dollars in 1937). This item has been deducted here for purposes of comparison.

The computations made for Great Britain in Clark's *National Income and Outlay* (cited above) include all rates and indirect taxes. Moreover, British income tax paid on rent and by corporations had to be eliminated for both years. Bases of this adjustment were the rent assessed, the "standard tax rate" and the industrial profit statistics in the *Economist*, which segregate income tax paid by stockholders from the tax charge of the corporation after 1940 (see footnote 8).

Interest on the national debt is omitted from the British statistics. All interest on federal debts was therefore deducted from the American estimate, to make it comparable with the British. The corresponding interest payments of the German government in 1929 were more than offset by dividends received on stocks held by the Reich. The remarkable increase of debt in Germany since 1929 was hardly accompanied by a corresponding increase in dividends received, and therefore only interest on loans contracted since 1929 has been deducted in the German figure for 1937.

Following is a synopsis of the additions and deductions required in order to make the national income figures for the three countries comparable (in millions of dollars):

	UNITED STATES		UNITED KINGDOM		GERMANY	
	1929	1937	1929	1938	1929	1937
Original Values	\$83,365	\$71,436	\$21,270	\$22,240	\$30,680	\$29,330
Additions	1,805	680	—	290	245	—
Deductions	670	916	3,170	1,600	1,605	1,480
Adjusted Values	84,500	71,200	18,100	20,930	29,320	27,850

For the United States, the additions represent the excess of rents as calculated by Kuznets over the figure given by the Department of Commerce, and rent of farmers' dwellings; the deduction is interest on federal loans. For the United Kingdom, the

of the income situation before the outbreak of the war, 1937 was selected for the United States and Germany, because the 1938 depression in this country contrasted too sharply with the German rearmament boom. For the United Kingdom no suitable estimate was available for 1937 and choice of the year 1938, for which the first official statistics were prepared, was therefore obligatory (see footnote 4). In order also to show the structure of national income at the end of the previous period of prosperity, the figures for 1929 are included.

## II

Total national income and its classification according to type of income, in new United States dollars, is shown in Table 1. The conversion into constant dollar equivalents makes it possible to show the growth of national income within each country, but precludes any comparison of welfare or standard of living. National income increased during the period represented only in the United Kingdom, while it declined in Germany and in the United States. These changes reflect the fluctuations of prices as well as of production. The statistics show the predominance of labor income, the share of which varies from 62 to 68 percent, but the proportions between the two other types of income are at variance. Entrepreneurial income plays a greater role in Germany than in the United Kingdom, whereas the reverse is true in regard to capital income. The United States occupies an intermediary position in this respect. The composition of income in each country changed in a different way after 1929. In the two Anglo-Saxon countries, the share of capital income declined and that of labor income increased. In Germany, the proportion of capital income remained practically constant, but that of entrepreneurial income increased at the expense of the share of labor.

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addition is social security contributions; the deductions are for certain taxes and revaluation of stocks. For Germany, the addition in 1929 is for figures of the Saar, which were of course separate in that year; the deductions in 1929 represent taxes, and in 1937 taxes and certain governmental interests.

TABLE 1 — NATIONAL INCOME CLASSIFIED BY TYPE OF INCOME

Type of Income	United States		United Kingdom		Germany	
	1929	1937	1929	1938	1929	1937
IN MILLIONS OF DOLLARS						
Labor <sup>a</sup>	\$52,690	\$47,830	\$11,900	\$14,200	\$19,410	\$17,670
Entrepreneurs <sup>b</sup>	14,470	12,770	1,960	2,080	7,000	7,550
Capital <sup>c</sup>	17,340	10,600	4,240	4,650	2,910	2,630
TOTAL NATIONAL INCOME	84,500	71,200	18,100	20,930	29,320	27,850
PERCENTAGE DISTRIBUTION						
Labor	62.5%	67.2%	65.7%	67.8%	66.2%	63.5%
Entrepreneurs	17.0	17.9	10.8	10.0	23.9	27.1
Capital	20.5	14.9	23.5	22.2	9.9	9.4

<sup>a</sup> Wages, salaries and employers' social security contributions.

<sup>b</sup> Earnings of farmers, employers, professionals and independent workers.

<sup>c</sup> Interest, rent, dividends and other profits.

Entrepreneurial earnings, being a mixture of capital and labor income, prevent a clear-cut division of income according to factors of production. Any breakdown of these figures is arbitrary: we know only that the share of labor income is the larger, as this class is composed mainly of small craftsmen, shopkeepers and professional groups. For the year 1929 the following percentages of entrepreneurial income have been imputed to capital: farming, 5 percent, plus rental value of dwellings, for all three countries; other industries, 15 percent for Germany and 10 percent for the Anglo-Saxon countries.<sup>6</sup> The changes during the period ending 1937-38 have been attributed to the two factors of production in accordance with the special circumstances in each country. The final results of these calculations are shown in Table 2.

In 1929 the share of capital income in the United Kingdom was larger than that of the United States and nearly twice that of Germany. In 1937 there was no difference in this share between Germany and the United States, although capital returns in the latter were larger than in any year from 1930 to 1939. As a matter of fact

<sup>6</sup> Business, as contrasted with the professions, constitutes a larger proportion of entrepreneurs in Germany than in the other countries.

TABLE 2 — INCOME OF CAPITAL AND LABOR  
(In percentage of total income)

Country	Labor		Capital	
	1929	1937	1929	1937
United States	78%	85%	22%	15%
Great Britain	76	76.5 <sup>a</sup>	24	23.5 <sup>a</sup>
Germany	87	85	13	15

<sup>a</sup> 1938.

the low level of capital income in the United States had persisted since the slump in 1932.

### III

The entrepreneurial class includes business units dissimilar in both kind and size. The farmer stands side by side with the doctor, the factory owner with the shoemaker, the large trading house with the small grocery shop. For the purposes of a comprehensive statistical analysis, at least the following three groups would have to be distinguished: professional groups, farmers, and businessmen (manufacturing, trade, etc.). The first and second of these groups are almost untouched by the inroads of that institution which has been replacing the personal enterprise: the joint stock corporation, which transforms owners into managers and entrepreneurial earnings into salaries, dividends and corporate savings. Of the three entrepreneurial groups, however, only the farmers can be clearly separated from the others. Table 3 presents the income and number of farmers and other entrepreneurs, and the number and capital of corporations.

In Germany, where corporate spirit and governmental patronage of crafts have always been highly developed, the form of the joint stock corporation has been reserved to larger enterprises. Even the limited liability companies, especially created for the sake of small private business, have supplanted relatively few personal enterprises. But in both Anglo-Saxon countries the corporation is a popular form of business organization for small family concerns as well as for huge enterprises.



TABLE 3—INCOME AND NUMBER OF FARMERS AND OTHER ENTREPRENEURS, AND NUMBER AND CAPITAL OF CORPORATIONS

	United States		United Kingdom		Germany	
	1929	1937	1929	1938	1929	1937
INCOME OF ENTREPRENEURS (in millions of dollars)						
Farmers <sup>a</sup>	\$5,890	\$5,570	\$250	\$270	\$2,200 <sup>b</sup>	\$2,300 <sup>b</sup>
Others	8,590	7,200	1,710	1,810	4,800	5,250
NUMBER OF ENTREPRENEURS (in thousands)						
Farmers	6,290	6,810	382 <sup>c</sup>	—	2,181 <sup>d</sup>	—
All others	3,707	4,011	1,700 <sup>c</sup>	—	3,010 <sup>d</sup>	—
CORPORATIONS						
Number (in thousands)	509 <sup>e</sup>	529 <sup>e</sup>	113	159	70 <sup>f</sup>	37 <sup>f</sup>
Capital (in billions of dollars)	\$105.2 <sup>e</sup>	\$95.7 <sup>e</sup>	\$31.3	\$32.8	\$11.2 <sup>f</sup>	\$9.5 <sup>f</sup>

<sup>a</sup> Including rent of owner-occupied houses.

<sup>b</sup> Including figures for forestry.

<sup>c</sup> Figures apply to 1931, and are estimated from figures in Colin Clark, *National Income and Outlay* (London 1937).

<sup>d</sup> Figures for 1933.

<sup>e</sup> Corporation figures for the United States are not fully comparable for the two years because of changes in statistical procedures.

<sup>f</sup> Including limited liability companies. (The number and capital of the limited liability companies for 1929 are author's estimates.)

The percentage of employers and independent workers in real business (manufacture, construction, distribution) in the total of gainfully occupied was as follows about 1930: Germany, 10 percent; United States and the United Kingdom, about 6.5 percent. On the other hand, the number of corporations per 1,000 business units was 25 in Germany (including joint stock and limited liability companies), 100 in the United Kingdom (including public and private companies), and 215 in the United States.

The contrast between Germany and the other two countries has become more marked since 1929. At the beginning of that year, 11,700 joint stock corporations and 58,000 limited liability com-

panies existed in Germany, the former showing a capital of 9.2 billion dollars. The new regime in 1933 showed itself hostile to these symbols of the capitalistic system, and in the "Gesetz über die Umwandlungen von Kapitalgesellschaften" of July 5, 1934, provided "the shifting from anonymous organization of capital to personal responsibility."<sup>6</sup> Under this law 1,660 joint stock corporations and 10,300 limited liability companies were liquidated before the end of 1937, most of them being converted into private concerns. In addition, the depression caused an increase in the number of liquidations and a decline in new registrations. No wonder that by the end of 1937 there were only 6,800 joint stock corporations and 30,000 limited liability companies. In the same period the number of corporations in the United States dropped only slightly. In the United Kingdom, however, after the Companies Act of 1929 came into force, registrations of private companies were numerous. Between 1933 (earlier figures are not available) and 1938 their number grew from 117,000 to 145,000, and their capital by a billion dollars to 9.4 billion dollars.

The German regulation of corporations was accompanied by a strengthening of independent tradesmen by means of the different handicraft acts, which restored the guilds of former times. The income situation of this group was also benefited by the new price-fixing and wage ceiling policies. The influx of former managers of small corporations or companies into the group increased the total entrepreneurial income, whereas the elimination of many shops did not noticeably lower it.<sup>7</sup> In Great Britain, on the other hand, the expansion of private companies further contracted the field of private enterprise.

All three countries have, since the early thirties, pursued an active

<sup>6</sup> "Abkehr von den anonymen Kapitalformen zur Eigenverantwortung des Unternehmers," *Reichsgesetzblatt*, 1934, vol. 1, p. 569.

<sup>7</sup> The "purging" of trades and handicrafts and the liquidation of Jewish firms would not necessarily have caused a decline in total entrepreneurial income since the remaining entrepreneurs gained on account of the decreased competition. It is possible that the additional profits of the surviving concerns were even larger than the profits of the firms which had been wiped out, because many small shops had operated with losses.

agricultural policy, and with a similar aim: the regulation of farm prices and the control of production. The United States, the great exporting country, tried to adjust the output of several products to the lowered demand. The United Kingdom promoted the production of bacon and dairy products in accordance with its agricultural marketing schemes. Germany, where agricultural protection was traditional, strove for the self-sufficiency of agriculture, and its independence from the marketing system. Farmers' income has risen slightly in Germany since 1929, while in the United States it has declined, although proportionately less than other earned income. In both countries the farmers' share rose to 9 percent of total labor and entrepreneurial income in 1937, while in the United Kingdom it was less than 2 percent.

## IV

A nation's capital consists of two main types: "venture" capital and "rentier" capital. Apart from investments in personal and public enterprises, the first type is represented by corporate stocks. The rentier capital comprises funds invested in residential buildings, mortgages, bonds and savings deposits. According to a parallel classification, capital income consists of variable capital profits on the one hand, and fixed rent or interest on the other. Although it must be admitted that the character of dividends on preferred shares is somewhat ambiguous, and that the experiences of the last decade have lessened the difference between dividends and interest, in principle this distinction still holds.

A statistical presentation of these types of income is simple enough for the United States, but with regard to Great Britain and Germany it is more difficult.\* But the significance of the contrasts revealed by such comparison overshadows the crudity of the data.

\* The statistics of the United States distinguish between rent, interest, dividends and business savings. Those of Great Britain show only the two classes, rent and other capital income, including entrepreneurial earnings. The German tables comprise public profits, business savings, and capital income (dividends and interest).

It was not difficult to separate dividends and interest in the German figure for 1929, as separate figures for the two items are given for that year in "Das deutsche Volksein-

Rent and interest together outweighed all other profits in the United States, while the opposite is true in the other countries. The high percentage of rental income is characteristic of the structure of the American capital income. Dividends dominated in the British

kommen vor und nach dem Kriege" (cited above). With regard to the year 1937, however, the payments had to be computed according to scattered information on dividends (corporation profits statistics), on business savings (corporation tax statistics), on savings, outstanding bonds and average interest rates. The main sources for these figures were the *Statistische Jahrbuch* for 1938 and *Wirtschaft und Statistik* for 1939. The deduction of intercorporate dividends and interest as well as of capital income flowing abroad was not possible without some guesswork. Dividends on stocks held by the central government have been deducted from public profits and reclassified in dividend income.

The corresponding adjustment for the British capital income consists of the following three steps. (1) The splitting up of rent which includes all incomes derived directly or indirectly from real estate, so far as they are assessed under schedule A. In some cases, industrial structures and houses mortgaged by building societies are assessed under schedule D. The deductions from rent income refer to industrial buildings, to houses owned by local authorities, to other commercial and residential buildings owned by corporations, to private mortgages and to rent from farm property. (Taxes had previously been deducted.) Various sources have been used for the exclusion of these items, especially Clark, *National Income and Outlay* (cited above); H. Campion, *Public and Private Property in Great Britain* (London 1939); Josiah Stamp, *The National Capital and Other Statistical Studies* (London 1937); Wolfgang W. Stolper, "British Monetary Policy and the Housing Boom," *Quarterly Journal of Economics* (November 1941); and the estate duty statistics in the reports of the Commissioner of the Department of Inland Revenue. (2) Dividends and profits, increased by the amounts shifted from rent, include entrepreneurial income, which could be estimated on the basis of data given by Clark, Stamp and Campion. The special determination of farmers' income, however, is mere guesswork. (3) The deduction of entrepreneurial income (inclusive of that of farmers) leaves dividends, other profits and interest. The only source for the estimate of corporation profits is the statistics in the *Economist*, which report about 30 percent of the nominal capital of all companies. These statistics were improved in 1940 in order to show profits before and after depreciation charges, profits free of taxes, and dividends before and after tax deduction. The new statistics are not comparable to the previous figures, which in certain cases excluded taxes. It appears, however, from the new statistics that this gap could be filled by an addition of 6 to 7 percent, that dividends pay about two thirds of the taxes due, and that allocations to reserves have been previously overstated. The increased profit rates have been applied to the total capital of the companies. The figures obtained by means of these three steps were completed by adding dividends from railroads and from foreign sources, whereas losses, dividends paid to foreigners and to corporations were deducted. These international and intercorporate items are obviously of uncertain reliability. Total profits computed correspond with the figures given by Stamp; and the residual item of interest, which includes some profits, was checked by an estimate of the outstanding bonds and their returns.

TABLE 4 — COMPOSITION OF CAPITAL INCOME

Source of Income	United States		United Kingdom		Germany	
	1929	1937	1929	1938	1929	1937
IN MILLIONS OF DOLLARS						
Rent	\$4,920	\$2,580	\$720	\$780	\$360	\$440
Dividends	5,740	4,540	2,150	2,100	530 <sup>a</sup>	410 <sup>a</sup>
Corporate Savings	1,250	— 800	280	700	220 <sup>b</sup>	420 <sup>b</sup>
Interest	5,430	4,280	1,010 <sup>c</sup>	990 <sup>c</sup>	850	700
Public Profits	—	—	80	80	950	660
TOTAL CAPITAL INCOME <sup>d</sup>	17,340	10,600	4,240	4,650	2,910	2,630
PERCENTAGE DISTRIBUTION						
Rent	28.4 %	24.3 %	17.0 %	16.7 %	12.4 %	16.7 %
Dividends	33.1	42.8	50.7	45.2	18.2	15.6
Corporate Savings	7.2	— 7.5	6.6	15.1	7.6	16.0
Interest	31.3	40.4	23.8	21.3	29.2	26.6
Public Profits	—	—	1.9	1.7	32.6	25.1

<sup>a</sup> Including joint stock corporations and limited liability companies.

<sup>b</sup> Including business savings of cooperative societies, etc.

<sup>c</sup> Including profits of cooperatives, etc.

<sup>d</sup> Not including entrepreneurial capital income.

capital income, and profits from publicly owned enterprises played an important role in Germany. Corporate savings were relatively larger in Germany than in the United States and Great Britain. Their movements were essentially responsible for the changes in total capital income in all countries. American corporations have suffered from capital consumption since 1931, while the corporations in the two other countries were able to overcome the effects of the depression and to increase the amount of undistributed profits. Dividends and interest paid out dropped in all three countries, rent in the United States only.

Rent as shown in Table 4 is a residual item, the amount of which depends on the level of rents, on the degree of indebtedness, and on the extent of corporate real estate holdings. Rents have always been relatively high in the United States, and increased especially during the building boom from 1923 to 1925, while in the European countries governmental control checked their upward movement. From 1929 to 1937, however, rents were considerably reduced

in the United States and remained fairly constant in the other countries. The increase in rent income in the United Kingdom and Germany was due partly to building activity, but also may reflect the reduction in mortgage interest.

Profits, consisting of dividends, corporate savings and net proceeds of public enterprises, exceeded interest in all three countries in 1929, but to a greater extent in the two European countries. It may seem surprising that the risk-minded, venturesome American economy should live on rentier capital to a greater extent than the staid and security-loving European economies. As a matter of fact, the corporate bond is particularly popular in the United States, where it accounted for 35 percent of total long-term capital of the corporation in 1937, whereas the ratio was 15 percent in Great Britain and 8 percent in Germany.<sup>9</sup> On the other hand preferred stocks represented 13 percent in the United States and 30 percent in Great Britain, the proportion of bonds and preferred stocks together being almost the same in both countries.

Two facts account for the low percentage of corporate bond capital in Germany: the wiping out of debts through the great inflation, and the predominance of public enterprises, including the debt-free German railways.<sup>10</sup> More than half of all profits in 1929 were directly earned by enterprises owned by the Reich, the states and the cities,<sup>11</sup> not to mention the considerable dividend payments received from the many corporations in which they exercised a varying control. By 1937 the size and the percentage of these public profits had decreased, chiefly because of the decline in returns from transportation and communication. German public profits as a whole decreased by 30 percent during this period, while those of public utilities in the United States (electric light and power, manufactured gas, transportation and communication) dropped by 55 percent.

<sup>9</sup> These figures, however, overstate the proportion of stocks in the United Kingdom and Germany, as they refer to nominal stock capital, which is larger than capital paid in.

<sup>10</sup> The worth of these assets was 11.8 million dollars in 1937.

<sup>11</sup> Rent from publicly owned dwelling houses and some interest income are included.



The field of the private corporation in Germany has always been narrowed on one side by the strong class of entrepreneurs and on the other by public enterprise. Consequently the share of corporation profits was comparatively small, although it had substantially increased since 1929. Several factors contributed to this strengthening of the corporations: the reduction of interest rates and debts, the financial reconstruction after the inflation and during the depression, and the fact that wages and salaries improved only slightly after 1933.<sup>13</sup> Only the fuller utilization of production capacity was lacking—and this came with the rearmament “prosperity.” The stockholders, however, benefited little from the increased profits. In the first place a major part of these profits remained undistributed, and in the second place dividends were limited to 6 or 8 percent in favor of compulsory governmental loan stocks.<sup>14</sup> Hardly 25 percent of the net profits (including corporation income tax) reached the shareholders in 1937, as compared with the former 70 to 80 percent.<sup>15</sup>

In Great Britain corporation profits constitute a larger proportion of capital income than in the other two countries; as in Germany, their increase since 1929 was used primarily for the piling up of reserves. The profits of American corporations declined by 44 percent, mainly because of increased losses; distributed dividends were reduced by only 20 percent.

Fluctuations in the amount of interest income are the result of changes in interest rates and the amount of interest-bearing capital. Interest rates dropped in all three countries. In Great Britain the reduction was moderate, as the average yield of corporate debentures (railways excepted) declined in the period from 1930 to 1937 from 4.9 to 4.4 percent, and that of mortgages from 5.8 to 4.9 per-

<sup>13</sup> It is hardly probable that the increase in profits as well as in entrepreneurial income was due to the more severe methods of assessment adopted under the National Socialists. In fact, figures used here for 1929 include an addition compensating for tax evasion.

<sup>14</sup> See Ernest Doblin, “The German ‘Profit Stop’ of 1941,” *Social Research*, vol. 9 (September 1942) p. 371 ff.

<sup>15</sup> The increase in the tax burden contributed somewhat to this decline, as corporation income tax rose from 20 to 30 percent.

TABLE 5 — CHANGES IN INTEREST-BEARING CAPITAL, 1930-1937  
(in billions of dollars)

Type of Investment	United States	United Kingdom <sup>a</sup>	Germany
Public Bonds <sup>b</sup>	+\$1.9	+\$1.5	+\$1.5
Corporation Bonds	+ 2.6	+ 1.3	- 0.6
Savings Deposits	- 3.7	+ 2.1 <sup>c</sup>	+ 3.3
Mortgages	- 9.0	+ 2.1 <sup>c</sup>	+ 3.4
New Dwelling Houses <sup>d</sup>	+ 6.1 <sup>e</sup>	+ 3.6 <sup>f</sup>	+ 5.2 <sup>g</sup>

<sup>a</sup> Figures for the United Kingdom are for 1930-38.

<sup>b</sup> Not including governmental bonds.

<sup>c</sup> Only building society shares, deposits and mortgages.

<sup>d</sup> Nonfarm residential real estate, value of land excluded.

<sup>e</sup> Computed from data in David L. Wickens, *Residential Real Estate* (New York 1941) p. 57; R. W. Goldsmith and W. Salant, "The Volume and Components of Savings in the United States, 1933" in *Studies in Income and Wealth*, vol. 3 (New York 1939) p. 275.

<sup>f</sup> Computed from data in Wolfgang W. Stolper, "British Monetary Policy and the Housing Boom," *Quarterly Journal of Economics* (November 1941); Colin Clark, *National Income and Outlay* (London 1937); and E. A. Radice, *Savings in Great Britain, 1922-1935* (London 1939).

<sup>g</sup> Computed from data in *Statistik des deutschen Reichs* (1935) p. 66; K. Poole, "German Financial Politics, 1932" in *Harvard Economic Studies*, vol. 66 (1939) p. 19; and H. Kruschwitz, "Die deutsche Wohnungswirtschaft seit 1933" in *Jahrbücher für Nationalökonomie und Statistik*, vol. 146 (1937) p. 35.

cent.<sup>15</sup> The drop was more marked in the United States, where corporate bonds yielded 4.7 percent in 1929 and 3.3 percent in 1937, and mortgages 5.9 and 4.4 percent in the same two years.<sup>16</sup> In Germany interest rates were cut drastically in accordance with the general deflation policy of the early thirties. In 1929 the average return from mortgage bonds was 8.5 percent and that from savings 6.2 percent; in 1937 the corresponding rates were 4.5 and 2.8 percent.

The reduction in interest rates brought about a decline in interest income of between 420 and 450 million dollars in Germany, of between 100 and 120 million dollars in the United Kingdom, and of about 800 million dollars in the United States. How was this

<sup>15</sup> Stolper (cited above) p. 59.

<sup>16</sup> Oscar L. Altman, *Savings, Investment and National Income* (TNEC Monograph No. 37, Washington 1941) p. 59.

decrease offset by the expansion of interest-bearing funds—or in what fields was there an increase in interest income? In reading Table 5, which offers an answer to these questions, it should be borne in mind that corporate holdings of bonds and mortgages as well as foreign property are included.

Changes in housing capital are chiefly responsible in all three countries for the increase or decrease in interest income. In Great Britain, building societies, and to a lesser degree local authorities, were the main investors. The mortgage capital of the former institutions increased by 2 billion dollars, while the loan capital of the latter allocated to housing was 750 million dollars larger in 1938 than in 1929. This debt capital contributed about 130 million dollars to the interest income; all other new net bond issues created a yearly interest income of approximately 80 million dollars. This net increase in interest income was more than offset by the reduction in the average rate of interest and the decline in governmental and private interest received from abroad.

Germany presented a similar picture. Interest income there increased by about 80 million dollars through expansion of mortgages, personally owned or financed by savings deposits, while bond issues contributed only 40 to 50 billion dollars.<sup>17</sup> A considerable part of the new mortgages were made on agricultural and industrial properties, whereas new home construction was partially supported by the proceeds of a special tax (*Hauszinssteuer*).

The sum of these increases in interest income from mortgages and bond issues, subtracted from the decrease in interest income resulting from the reduction in interest rates (420 to 450 million dollars), leaves a net decrease of 290 to 330 million dollars. Actually, interest income fell by only 150 million dollars. What does this gap mean? The explanation may be found in the fact that during the period 1929-37, and especially after the financial crisis in 1931, foreign investments in Germany were gradually being reduced by withdrawals, repayments and gains on devaluated foreign ex-

<sup>17</sup> Interest on corporate holdings is deducted in these figures, and restored interest payments on revalorized old federal loans are included.

changes. Thus Germany's total foreign debt dropped from 12 billion to less than 6 billion dollars. Outstanding domestic bonds were repatriated and their returns entered the national income.<sup>18</sup>

The sharp drop in interest payments in the United States was intensified by the redemption of mortgage debts, which cut interest income by more than 450 million dollars. Moreover, the international income balance showed a decrease in interest income of 260 millions. The net issues of public and corporate bonds compensated for their decline only to a small degree.

## V

Interest and dividends from foreign investments and earnings of residential buildings form a special kind of capital income. Both yields are produced without the complementary factor of production labor. Foreign capital assets in manufacture, trade, transportation, etc., work together with labor in the debtor country, not in the creditor country; and the amount of labor used for servicing dwellings is negligible.

All other capital income is distributed from the common product of capital and labor. Only to this type of capital income can the theory of distribution be applied and statistically illustrated. To indicate what part of this joint product goes to capital and what part to labor is quite different from the classification of total national income according to the share of capital and labor. This division of capital income is presented in Table 6, which must necessarily be accepted as a tentative approach.<sup>19</sup>

<sup>18</sup> Maxine Y. Sweezy calls attention to the fact that the German income estimates for the year 1937 include capital returns due to foreigners but forcibly retained in Germany. (See *The Structure of the Nazi Economy*, Cambridge, Mass. 1941, p. 199.) This inclusion would give an additional explanation for the "gap" mentioned, although the magnitude involved could not be very significant.

<sup>19</sup> Net rent of dwellings as given in the table, for instance, is gross rental minus charges for maintenance and real estate taxes. But estimates of these rentals are inaccurate for all countries. A special difficulty results from the delimitation of the housing industry from the hotel industry. An even more serious inaccuracy of this breakdown of capital income is connected with the impossibility of excluding incomes from labor services rendered without any concurrent capital (such as professional groups, or domestic industries working on foreign capital).

The United Kingdom, the leading creditor country in the world, received nearly one third of her capital income from foreign investments in 1929. Such payments to the United States from abroad were less than 6 percent and to Germany only 3.8 percent. In all countries this foreign capital income has decreased considerably since 1929, especially in Germany as a result of the reduction of her foreign debts through mutual repatriation.

TABLE 6 — INCOME FROM ABROAD, FROM DWELLINGS AND FROM DOMESTIC INDUSTRIAL AND COMMERCIAL CAPITAL <sup>a</sup>

Source of Capital Income	United States		United Kingdom		Germany	
	1929	1937	1929	1938	1929	1937
IN BILLIONS OF DOLLARS						
From Abroad <sup>b</sup>	\$1.0	\$0.5	\$1.4	\$1.1	\$0.15	\$0.05
Dwellings <sup>c</sup>	6.4	4.0	0.8	1.0	1.00	1.10
Domestic Industrial and Commercial Capital	11.3	6.4	2.2	2.8	3.00	3.10
TOTAL CAPITAL INCOME	18.7	10.9	4.4	4.9	4.15	4.25
PERCENTAGE DISTRIBUTION						
From Abroad	5.3%	4.6%	31.8%	22.4%	3.8%	1.2%
Dwellings	34.3	36.7	18.2	20.4	24.1	25.9
Domestic Industrial and Commercial Capital	60.4	58.7	50.0	57.2	72.1	72.9

<sup>a</sup> Including capital income of entrepreneurs, but not including receipts of foreigners.

<sup>b</sup> Author's estimate of capital income from abroad paid out, excluding corporation income taxes and derived labor income.

<sup>c</sup> Estimates for the United States based on data from Simon Kuznets, *National Income and its Composition, 1919-1938* (New York 1941) p. 735, and from Clark Warburton, "Three Estimates of the Value of the Nation's Output of Commodities and Services," *Studies in Income and Wealth*, vol. 3 (New York 1939) p. 333; for the United Kingdom from data in Colin Clark, *National Income and Outlay* (London 1937) p. 155; for Germany from F. Grünig, *Der Wirtschaftskreislauf* (Munich 1933) p. 318, and the author's own estimate.

The share of net rent is largest in the United States and smallest in the United Kingdom. These proportions have nothing to do with rental levels in the respective countries. Gross rents are at least 75 percent higher in the United States than the values shown in Table 6, and they are 100 percent higher in the other countries.

TABLE 7 — CAPITAL INCOME AS A PERCENTAGE OF NATIONAL INCOME

Country	Total Capital		Domestic Industrial and Commercial Capital	
	1929	1937	1929	1937
United States	22%	15%	14.5%	9.5%
United Kingdom	24	23.5 <sup>a</sup>	14.0	15.0 <sup>a</sup>
Germany	13	15	10.5	11.5

<sup>a</sup> Figure for 1938.

The special feature of capital structure in Germany's economy is illustrated by the high percentage of domestic industrial and commercial capital. In the light of these figures Germany can be characterized as a "labor-capital" country in contrast to a "service-capital" country.

In 1937 as in 1929 the share of capital returns in the national income was smaller in Germany than in the other two countries, as Table 7 indicates. The later percentages, however, are closer to those of the other countries for "labor capital" than for total capital income, and the differences are either within the margin of error or can be explained by varied business conditions. The share of capital in Germany's national income, especially in 1929, was lowered by considerable payments of interest and dividends to foreign creditors. With this peculiar fact taken into consideration, even the difference indicated in Table 7 between Germany and the Anglo-Saxon countries would decline.

Thus, after making adjustments in the income statistics of the three countries in order to provide a fair base for comparison, we may conclude that there exists a greater uniformity between the United States, the United Kingdom and Germany with regard to the share of labor and capital in their joint product than with regard to the composition of the total national income.



# ARTHUR FEILER AND GERMAN LIBERALISM

BY ALEXANDER BÖKER

THE liberal movement in Germany has traditionally been split into two factions, a right and a left wing. In the political arena, the right wing was represented by the National Liberal Party, after 1918 called the German People's Party, and the left wing by the Progressive Party and allied groups, which in 1918 reconstituted themselves as the German Democratic Party. Sociologically, the right wing represented the wealthy bourgeoisie and hence later became the political exponent of big business, whereas the left wing was recruited largely from the middle and lower strata of the middle class.

Although both liberal movements were heirs to the Revolution of 1848, which had proclaimed liberty and national unity as its twin goals, they were soon lined up in opposing camps: the left wing standing for all-out political democracy, the right wing stopping far short of that. The left wing, having been in opposition under the Empire, became one of the main pillars of the Weimar Republic, whereas the right wing deplored the overthrow of the Bismarckian state and wavered between opposition and hesitant, conditional support. But in one important field the two movements long remained in accord: they both stood for the economics of laissez-faire, for free trade, and against any form of state socialism, whether revolutionary or paternalistic.

Soon after the turn of the century, however, the right and the left liberals began to drift apart on this issue as well. Political pressure within their own ranks<sup>1</sup> as well as the spread of ideas of social reform

<sup>1</sup> At the Mannheim party rally of the Progressive Party in 1911, Anton Erkelenz, himself a trade union secretary, for the first time induced his party to come out in favor of extensive labor legislation.

among the intelligentsia caused the liberal groups of the left to revise their political platforms and sponsor measures for the protection of the broad mass of consumers, and especially of the working classes. While the rightest liberals regarded even monopolistic finance capitalism as "free enterprise," and hence as something to be preserved at all cost, the progressives became suspicious of the growth of trusts and cartels, whose public policies compared unfavorably with those of such state socialistic enterprises as the nationalized railroads or certain municipal public utilities. Besides, their more egalitarian and democratic tradition logically led them to demand full political participation for the growing mass of workers.

During the last ten years of the Empire and throughout the period of the Weimar Republic, Arthur Feiler<sup>2</sup> was one of the most consistent and influential protagonists of this new trend in liberalism. In his twenty-seven years as an editor of the *Frankfurter Zeitung*, Germany's most distinguished newspaper, he gave liberal democracy a clear and definite social program, and as a member of the *Reichswirtschaftsrat*, the Reich Cartel Court, the second Socialization Commission and the Enquête Commission—the Weimar Republic's equivalent of the TNEC—he sought to give these ideas practical effect. As a result of the partial anonymity of journalism, Feiler's part in the development was perhaps less conspicuous than that of other men, such as Friedrich Naumann and Walther Rathenau, but his real influence was nevertheless very great, both because of the prestige of the paper on which he served and because of his strong personal influence and regular contacts with the heads of

<sup>2</sup> Arthur Feiler was born at Breslau in Silesia on October 16, 1879, and died in New York City on July 11, 1942. He attended the Gymnasium in Breslau, then worked at a Breslau bank. In 1903, as the winner of an essay contest, he was invited by Ludwig Cohnstaedt to join the editorial staff of the *Frankfurter Zeitung*; there he was a member of the editorial staff of the *Handelsteil* from 1903-09, and of the editorial staff for home affairs in the political section from 1910 until he left the paper at the end of 1930. He received the degree of Dr. rer. pol. from Heidelberg University in 1922. He was a Lecturer in Economics at the University of Frankfurt a.M. from 1928-32; Professor of Economics at the Business School at Königsberg, 1932-33, and of the Graduate Faculty of Political and Social Science of the New School for Social Research, New York, 1933-42. He was a member of the German delegation at Versailles in 1919, and at the Conference of Genoa in 1921.

Prussian and Reich government departments under the Weimar Republic.<sup>3</sup>

In his social-economic thinking Feiler was greatly indebted to the school of economists known as *Kathedersozialisten* ("academic socialists," who were not socialists in the Marxian sense but merely social reformers), especially to Lujo Brentano; to the ideas furthered by Friedrich Naumann and his short-lived *Nationalsozialer Verein*; and particularly to the *Verein für Sozialpolitik*, founded in 1872 for the promotion of a nonrevolutionary social transformation. A member of the latter organization, he regularly attended its annual meetings and took a lively interest in its discussions, which were noted for their intellectual distinction. Despite these influences, however, his own approach to the problem of social reform was quite original. Three elements particularly characterized his position: to him democracy was not a matter of political expediency but a postulate of the moral law; the consumer was the end and purpose of all economic activity, as the individual was the end and purpose of the state; and political and social democracy were one and indivisible.

Although not a philosopher himself, Feiler had, through extensive reading of classical and modern philosophers, arrived at a practical philosophy of his own, which became the rigid yardstick of all his actions. After a brief time under the influence first of Darwin and Ludwig Büchner,<sup>4</sup> then of Nietzsche, he found in Kant a system of thought more inherently satisfactory and better suited to his own temperament than any other.<sup>5</sup> Kant appeared to him not as a philosophical genius who was right here and wrong there, but as *the* philosopher who had laid the foundations for all true philosophy.

<sup>3</sup> Hans Staudinger, in *Arthur Feiler, 1879-1942. A tribute by his friends on the first anniversary of his death, July 11th, 1943* (New York 1943).

<sup>4</sup> Information from Mrs. Feiler.

<sup>5</sup> His early acquaintance with Kantian philosophy was through the medium of Ernst Marcus's semipopular writings, deepened by frequent discussions with Robert Drill, a colleague on the editorial staff of the *Frankfurter Zeitung*. (See Feiler's review of Marcus's *Das Erkenntnisproblem, oder wie man mit der Radiernadel philosophiert*, Herford 1905, in Friedrich Naumann's periodical, *Die Hilfe*, vol. 12, no. 48, pp. 8-9.)

While Kant's epistemology provided those criteria of truth and knowledge which alone can guard us against the dangers of a new mysticism, his moral philosophy provided us with an unchallengeable system of ethics. Feiler accepted the categorical imperative as the basic guide to all behavior, personal and political. Kant's moral law (*Sittengesetz*), as applied to the body politic, inescapably demands freedom, equality and self-government. Democracy, the only system truly founded on these premises, thus itself becomes a moral postulate.

At a time when, not only in Germany but all over Europe, the champions of democracy had become skeptical and lukewarm, the almost puritanic severity of Feiler's position was unique. Democracy was intrinsically right, and hence its fulfilment became the moral duty of all free and moral human beings. It followed that Feiler had little use for the pragmatic defense of democracy which became so fashionable in the postwar era. For instance, Max Weber's justification of democracy as the most effective way of selecting political leaders was repugnant to him, despite the fact that he greatly admired Weber as a man, a political leader and a fellow democrat.

But freedom and democracy are not only the postulates of an impersonal moral law, they must be willed by the people to become realities. This emphasis on the creative power of the human will once more shows Feiler's indebtedness to the philosophers of German idealism, especially to Kant, Fichte and Humboldt. Among his contemporaries he felt that the position of Kurt Wolzendorff<sup>a</sup> was most closely akin to his own. Like Wolzendorff, he believed that freedom and democracy can never come as gifts from above, but must be worked and fought for from below. The state can emancipate, it can *set* a people free, but it can never *make* it free. What makes a nation free is essentially its urge toward freedom, its *Freiheitsdrang*. Not even the most liberal franchise will produce a democracy if the spirit is lacking in the nation.<sup>b</sup>

<sup>a</sup> Kurt Wolzendorff, *Der reine Staat* (Tübingen 1921).

<sup>b</sup> *Frankfurter Zeitung*, April 13, 1921: "Der reine Staat."

This is precisely the point on which Feiler was most critical of the German bourgeoisie and its capacity for leadership. In a brilliant article published in January 1918, "The Growth of the Democratic State," he severely criticized his own class for its lack of a strong will to be free, its want of self-respect and courage, its materialism and its belief in the nonpolitical, purely administrative, divinely ordained state.<sup>8</sup> Under both the Empire and the Republic his editorials repeatedly urged the Reichstag to assume leadership and show more willingness to bear responsibility: "It is a mistake to expect the parliamentary regime to come as a present from the Government. The parliamentary regime will be a reality the moment a determined majority of the Reichstag declares: We are the majority, we are the parliamentary government, we want to lead."<sup>9</sup>

The traditions of German idealism also inspired Feiler with an unshakable faith in the ultimate triumph of the forces of freedom everywhere, for he regarded the teachings of Kant and Fichte as truths eternal and universal. "From the very nature of man, from the moral law itself, follow the postulates of political and social democracy — rises the idea of liberty. . . . These are eternal values with eternal life. And in this certitude we may count it for little when fascism today calls the liberal democratic state outmoded, when it triumphantly speaks of the 'death of liberty.' Freedom, the will to freedom, can never die so long as men have human emotions. But freedom can be pushed back and the will to be free can be temporarily buried. It is against these two dangers that we have to defend ourselves today."<sup>10</sup>

Time and again in the columns of the *Frankfurter Zeitung* Feiler pointed to the classical writers of German idealism as the very cornerstone of democratic thought, and showed that German democracy, far from being an alien and "western" importation, had its deepest roots in the writings of these men.<sup>11</sup> It followed logically that

<sup>8</sup> *Ibid.*, January 1, 1918: "Das Werden des Volksstaates."

<sup>9</sup> *Ibid.*, July 19, 1917, editorial.

<sup>10</sup> *Ibid.*, May 2, 1924: "Die Freiheit des Bürgers."

<sup>11</sup> *Ibid.*, January 1, 1918: "Das Werden des Volksstaates."

when the fascist forces engulfed his country Feiler regarded them as the very antithesis of the best German traditions, as an alien and primeval monster indeed. This fact needs to be stressed now, when German fascists and anti-German anti-fascists vie with one another in denying the liberal, humanitarian and universalist traditions of Germany, and in regarding Nazism as the very fulfilment of German history.

Like the whole of Republican Germany, however, Feiler long underestimated the real danger and impetus of the Nazi movement, convinced that so primitive and barbaric a force could never triumph in so literate and advanced a country. After the catastrophe, not even the bitterness of exile could induce him to relinquish his faith in the ultimate resurgence of a better Germany. In the summer of 1939, when delivering one of the Harris Foundation Lectures at the University of Chicago, with Eduard Benes and Rushton Coulborn, he once more reaffirmed this faith: "Now *they* [the Nazis] proclaim that they are Germany. But they are not. They are only the destroyers of Germany. Rather, they would destroy Germany if they could. As yet they have not been able to destroy her. For they cannot destroy that real Germany that is alive in the grand tradition of her achievements in all fields of human culture throughout the centuries. This Germany is invisible today. Yet it survives in the hearts of nameless men and women who have not surrendered to the barbarism of their present rulers. They live in the belief that a time will come when they again will be the real representatives of the real Germany. And then a new chapter will begin for our topic, 'Germany and the World,' telling a story of real collaboration between a Germany reborn and a new and better world."<sup>12</sup>

We must see Feiler's social and economic ideas, the main part of his thought, against his background of idealism. Feiler was in the first place an economist and economic publicist. He had started his career in a Breslau bank, and spent his first seven years with the *Frankfurter Zeitung* on the editorial staff of the financial and business pages. Hence he was in the habit of looking at political prob-

<sup>12</sup> In Harris Foundation Lectures, 1939, *International Security* (Chicago 1939) p. 101.



lems primarily from the social-economic angle. This attitude of mind, widespread among liberal circles during the Weimar period, had its advantages and its drawbacks. It fostered clear and sound thinking, cold facts to dispel the fog of political mythologies, but it also tended to limit the vision and to dull the feeling for the imponderabilia of politics—perhaps the greatest weakness of the Weimar Republic.

Yet Feiler, unlike many other economists, never argued economic problems solely on an economic plane, whether as journalist or as academic teacher. Every economic question was primarily a human problem, to which the science of economics or a particular economic policy was merely the approach. No matter how abstract or technical the discussion, he always stopped to ask, How will this affect the great mass of human beings? Will they benefit or will they suffer? In economics, as in politics, the categorical imperative was the basic law. Human freedom and dignity and equality of opportunity are the supreme social good, the inescapable postulate of the moral law. The fullest participation in this supreme good by the greatest number of citizens then becomes the concrete goal of economic policy. Thus Feiler gave to Bentham's hedonistic calculus the force of a Kantian moral law.

With Adam Smith, Feiler believed that the sole end and purpose of all production is consumption—the satisfaction of the wants and desires of the millions of human beings who compose the nation. In the modern economy, however, organized producer interests tend to tax and enslave the consumer.<sup>12</sup> This is as true of monopoly capitalism as of state socialism. There is no remedy for such enslavement other than placing a maximum of power in the hands of organized consumers, that is, the extension of political democracy to the social and economic field. Free enterprise has, and must have, its place in economic life. It is indeed the very lifeblood of society. Yet the freedom of a few powerful producers must never be

<sup>12</sup> Arthur Feiler, "The Consumer in Economic Policy," *Social Research*, vol. 1 (August 1934) pp. 287-300; and "The Evolution of the Consumer" in *The Annals of the American Academy of Political and Social Science* (March 1938).

allowed to encroach upon the freedom of the millions of consumers. Thus Feiler gradually developed the theory of a "state of social justice," which formed the center and essence of his liberal credo.

Although these ideas reached their full maturity only in the revolutionary days of 1918-19, their beginnings can be traced back to the very first years of Feiler's career on the *Frankfurter Zeitung*. It is interesting to note that it was the study of American conditions at the beginning of this century—at a time when few Germans, indeed few Europeans, showed much interest in American affairs—which first impressed him with the necessity of public control over monopolistic enterprises. An ardent admirer of the trust-busting Theodore Roosevelt, he later became a warm friend of the underlying ideas of the New Deal, even though he often felt compelled to be critical of their practical application.

From the time of Theodore Roosevelt's famous Provincetown speech of August 1907, which he warmly applauded in the *Frankfurter Zeitung*,<sup>14</sup> Feiler devoted a large part of his writing to propagating the idea of public control over powerful producer interests. In a spirit very much akin to that of Brandeis, he had a basic distrust of bigness, but unlike Brandeis he did not believe that the problem was always best settled by breaking up big enterprises. He frankly recognized that bigness is often technologically conditioned, and it therefore seemed more realistic and progressive to demand that the state establish strict controls over trusts and monopolies.

Behind the scenes, German politics have been dominated ever since 1879 by a tight alliance between heavy industry, located mainly in western Germany, and the large landowners of the eastern provinces of Prussia. Heavy industry was interested in tariff protection for iron and steel and in high monopoly prices for coal; the landowners in high import duties on agricultural products, principally grain. By itself neither group could be certain of achieving its ends, but by supporting one another they represented an agglomeration of power sufficient to push their demands effectively. This alliance hampered the freedom of action of every German govern-

<sup>14</sup> *Frankfurter Zeitung*, August 29, 1907, editorial.

ment, and threatened the wellbeing of the people. The agrarian interests were organized in the *Bund der Landwirte* (*Reichslandbund*), closely allied with the Conservative Party (later the German National Party); the industrial interests in the *Zentralverband Deutscher Industrieller* (*Reichsverband der Deutschen Industrie*), closely linked with the National Liberal Party and, after 1918, with its successor, Stresemann's German People's Party.

At a time when the Social Democrats were still largely absorbed in barren ideological opposition to any and all "bourgeois" governments, and while many left-wing liberals had not yet fully grasped the importance of the social question, Feiler was one of a relatively small band of farsighted and courageous men who never missed an opportunity to point out the pernicious influence of this alliance. For the sake of German freedom the alliance must be broken up, the bases of its power destroyed. This could be done only by breaking up the large estates in eastern Germany and by subjecting the powerful producer cartels to rigid government and consumer control.

As soon as Feiler had reached a position of sufficient influence within the *Frankfurter Zeitung* he began to attack the Bülow government for the increased tariff protection granted to the producers of bread and steel. Bismarck, he argued, introduced his moderate protective tariff in 1879 only in order to reserve the home market for the products of German industry, whereas the big syndicates of the twentieth century were trying to use import duties as a convenient way of exacting from the German consumer a tribute which they were unable to exact from the world market.<sup>15</sup> The Bethmann-Hollweg government, and especially (although not entirely justly) its Secretary of the Interior Clemens von Delbrück, were also strongly criticized by Feiler for their alleged solidarity with high finance and for their all too lenient attitude toward the huge coal and potash syndicates.<sup>16</sup> Nor was this crusade confined to German trusts. In 1912, for example, Feiler demanded, though in vain, the passage of a Petroleum Monopoly Act which would curb the "ruth-

<sup>15</sup> *Ibid.*, July 8, 1908: "Schutzzoll und Kartell in der deutschen Eisenindustrie."

<sup>16</sup> *Ibid.*, January 12, 1910, editorial.

less exploitation" of the German market by the Standard Oil Company.<sup>17</sup>

The World War did not stop progressive agitation for this type of social reform. In August 1915 the *Frankfurter Zeitung* published a much discussed article by Arthur Feiler,<sup>18</sup> demanding the transformation of the existing private coal syndicate into a *gemeinwirtschaftliches Syndikat*, a compulsory syndicate of private owners operating in the public interest and under strict government supervision. There were to be decentralization and freedom of enterprise at the bottom of the pyramid, but centralization and authority at the top. Vital questions of economic policy, especially the establishment of prices, were no longer to be determined by the owners alone, but in cooperation with the representatives of consumers, workers, employees and the government. All these influences were to be organized in the governing body of the syndicate, which was to have the status of an independent government agency analogous to the successful wartime organization of the grain industry in the *Reichsgetreidestelle*, the pattern of which had been brilliantly devised by Walther Rathenau. Four years later the paper reprinted this article almost verbatim as a contribution to the then current discussion of the socialization of the coal industry.<sup>19</sup> The plan did in fact have a profound effect upon the legislation then enacted, although its effectiveness was somewhat thwarted by the collusion between owners and workers who, by agreeing on a high prices - high wages formula, managed to neutralize consumer representation on the governing board.

The Revolution of 1918-19, with its strong though confused urges toward a new and better social order, offered a unique opportunity for experiments in progressive reconstruction. Most forces in Germany had, however, been caught off guard and unprepared by events. Many liberals particularly were paralyzed by fear that the country would lapse into bolshevism or anarchy; hence they dreaded

<sup>17</sup> *Ibid.*, December 10, 1912, editorial.

<sup>18</sup> *Ibid.*, August 17, 1915: "Ein Vorschlag für den Umbau des Kohlensyndikats."

<sup>19</sup> *Ibid.*, March 15, 1919, and September 3, 1920: "Die Sozialisierung der Kohle."

new ventures. Among the few who were neither frightened nor bewildered were liberals like Max Weber, Kurt Woltendorff and Arthur Feiler. In November and December 1918 the *Frankfurter Zeitung* made desperate efforts to guide the revolutionary forces into sober and constructive channels, far removed both from the old order of things and from the radical demands of the left extremists. Its most valuable contribution was the publication of a remarkable series of pamphlets,<sup>20</sup> in which the first two were written by Arthur Feiler and Max Weber, respectively, the sixth by Woltendorff. Feiler's essay, *Der Staat des sozialen Rechts* (The State of Social Justice), was meant as a "guide to economic democracy"; Weber discussed the future democratic constitution of Germany; Woltendorff wrote on the role of the universities in the democratic state. These pamphlets had a profound effect upon the Weimar Constitution as well as on the program of the German Democratic Party, drawn up in December 1919.<sup>21</sup>

*Der Staat des sozialen Rechts*, written during the turbulent days of November 1918 while the author, a victim of the influenza epidemic, was frustrated in his desire for active participation and leadership,<sup>22</sup> shows Feiler at his best, and probably represents the high point of his career. At the same time it constitutes the final formulation of the liberal and progressive credo of that period. The position taken here was equally far removed from that of the socialists, still hamstrung by the rigidity of the Marxian dogma, and from the wishy-washy liberalism of the German People's Party, whose liberalism was confined to its name and origin, while its program, and especially its attitude to big business and labor, was in fact conservative. Feiler's pamphlet was a frontal assault on the bastions protecting the agrarian-industrial alliance—an assault which, had it

<sup>20</sup> The pamphlets appeared under the title *Flugschriften der Frankfurter Zeitung* (Frankfurt a.M. 1918-19). Those referred to here are: No. 1, Arthur Feiler, *Der Staat des sozialen Rechts; Leitsätze für eine demokratische Wirtschaftspolitik* (1918); No. 2, Max Weber, *Deutschlands künftige Staatsform* (1918); No. 6, Kurt Woltendorff, *Die Universität in der Demokratie* (1919).

<sup>21</sup> Felix Salomon, *Die Deutschen Parteiprogramme* (Leipzig, Berlin 1920) pp. 74-81.

<sup>22</sup> Information from Mrs. Feiler.

been successful, might well have altered the course of German history. And yet his program was remarkably free from doctrinairism. The terms "socialism" and "capitalism," which were then agitating and haunting German political discussions, are hardly ever mentioned. To Feiler they were mere words, hiding many and varied realities. He realistically appraised the facts of the situation, but he also appealed passionately for action, for daring, for responsibility in the building of the new social order.

Democracy, he argued, must of necessity in the long run realize social justice. Since the middle of the nineteenth century Germany had been a social service state (*Staat der sozialen Fürsorge*), which to be sure achieved great things, but which nevertheless remained essentially a class state, with property, income and education unevenly distributed. With the downfall of the old order a unique opportunity had arisen for fundamental reforms. The Social Democrats also desired such reforms, but they were sold on the idea of socialization (*Verstaatlichung*), which means bureaucratization. Such a course would stifle the creative forces of free enterprise and must therefore be prevented. The enterprising individual is a social requisite in any society. His actions are motivated not only by the quest for profits, but also by a desire for freedom, power, success, achievement and responsibility. A series of diverse realistic measures must therefore take the place of uniform socialization. Outright nationalization should be confined to certain private monopolies. Large estates must be split up and parceled out to a free peasantry. Industry should be decentralized as far as possible, so as to achieve a happy mixture of urban and rural labor, such as can be found in Württemberg. In industry and banking each problem must be dealt with according to its merits and particular circumstances. Private monopolies cannot be tolerated, but many solutions short of outright socialization are imaginable and practicable. Workers and consumers must everywhere be given representation in policy-making councils, and the state must secure for itself influence and controlling positions in private undertakings, in order to make the public interest prevail over private profit-



seeking. In the banking world, for instance, the Reichsbank would be in an ideal position to fulfil such a role. Finally, a policy of just but severe taxation must aid in the transformation of society by giving decidedly preferential treatment to earned income. "The democratic state must be conscious of being the overlord of the entire national wealth and income, and must inexorably act in accordance with that position. . . . By the democratic will of the majority it must decide which tasks it shall perform in the interest of public welfare . . . before the individual can be permitted to consume and to inherit."

A liberal? A socialist? For capitalism? Against capitalism? The position typified by Feiler—indeed not solely his own, though he was its most outstanding representative—can hardly be defined in such terms. Nor would Feiler himself have approved of having it so catalogued. In this age of labels and slogans he was forever looking for the substance of things rather than names, which were "but sound and smoke." At times, especially during the latter days of the Weimar Republic, he would often smilingly admit that he was more socialistic than many Social Democrats. Indeed, many liberals of that period—Walther Rathenau, for instance—displayed more social radicalism than many a prominent socialist. When Rudolf Hilferding, once an extreme left-wing socialist, in 1924 prefaced the first publication of his magazine, *Die Gesellschaft*, with a redefinition of socialism as a movement aiming merely at state control over monopolies and trusts, Feiler could not but feel that this "fourth phase of Marxism" was a very close approximation of his own ideas of economic democracy.<sup>22</sup>

Yet, however far he might travel along the road of social reform, Feiler was never prepared to accept any form of socialism which smacked of total state control. All his manifold proposals had only one end in mind: the material wellbeing and the personal freedom of the individual. The moloch of totalitarianism might confer all manner of material benefits upon a nation, but none great enough to compensate for the loss of individual liberty. This is the central

<sup>22</sup> *Frankfurter Zeitung*, April 8, 1924: "Wirtschafts-Demokratie."

thesis of *The Experiment of Bolshevism*, probably his best and most lasting book, written in 1929 after an extensive trip through the Soviet Union. His admiration for the technical achievements of the Soviet state was perhaps more generous and genuine than that customarily bestowed by European liberals at that time. Yet he shuddered at the sight of the individual hopelessly submerged in the mass and of a great nation subjected to the inexorable demands of a dogma and a plan, ruthlessly sacrificed for the future. Europe, he felt, owed it to its great traditions to choose a different path of social progress, "a path to social justice, to human freedom and dignity, with the very aim of perfecting the personal rights . . . of the individual."<sup>24</sup>

For very similar reasons Feiler had an almost instinctive aversion to any planning of the blueprint variety. Superficially he would argue against it on the ground that it was unrealistic and impractical. His objection, however, was really much more deepseated. With fine acumen he sensed the Hegelian, anti-individualistic potentialities of such a mode of thinking. "The Plan," once under way, might easily become an end in itself and submerge the individual. It was on precisely this issue that he parted company with Walther Rathenau, for instance, although in other respects they had much in common. Feiler was full of respect and admiration for Rathenau the man, with his courage, honesty and high sense of responsibility; for the brilliant organizer of Germany's wartime raw materials boards; for the republican statesman and Foreign Minister; and for the great industrial leader who had become an unequivocal fighter for political democracy and radical social reconstruction.<sup>25</sup> But he had to join issue with him when Rathenau, who was somewhat romantic and more imaginative than Feiler but lacked Feiler's critical acumen and severe self-discipline, began advocating a social utopia, an economy of chartered corporations, supervised by the state, in which private enterprise and the right of inheritance were

<sup>24</sup> Arthur Feiler, *Das Experiment des Bolschewismus* (Frankfurt a.M. 1929) p. 270; translated into English as *The Russian Experiment* (New York 1930).

<sup>25</sup> *Frankfurter Zeitung*, May 31, 1922: "Bemerkungen"; and June 26, 1922: "Rathenau."

to be abolished.<sup>26</sup> The idea was closely akin to that outlined by Fichte in *Der geschlossene Handelsstaat*; but Fichte the Platonist and social utopian was not the Kantian Fichte whom Feiler admired. Projects such as these could at best serve to stir the conscience of mankind into a readiness for social reforms; they would be dangerous if they served as the pattern for the future.

Not different in kind, but only in intensity, was his objection to the similar and even more elaborate blueprints put forward in 1918-19 by Wichard von Moellendorff, Rathenau's friend and protégé, and by Rudolf Wissell, Social Democratic Minister for Economic Affairs. Their system of *Planwirtschaft* could be operated only with a vast bureaucracy, likely—so Feiler feared—to stifle individual initiative and liable to abuse by the very vested interests it was designed to combat.<sup>27</sup> Feiler, always true to himself, had pleaded against such bureaucratic guardianship all his life—"the spirit of the merchant, not that of the bureaucrat . . . is what we need"<sup>28</sup>—and later on it was precisely the overabundant growth of bureaucratic instruments which made him skeptical of the practical value of the New Deal.

It appears that it was not only the liberal individualist in Arthur Feiler who opposed *Planwirtschaft*, but also the conservative who disliked imposing a straitjacket on the living social organism. Paradoxical as it seems, the man who spent all his life fighting politically organized conservatism, himself possessed a deep substratum of conservative temperament. André Maurois once said that "un vrai conservateur est un vrai réformateur." This dictum might be inverted to describe Feiler: a true reformer is often in a deeper sense truly conservative.

In the same spirit Feiler entered the public discussion of establishing professional representation in accordance with Article 165 of the Weimar Constitution, which was to serve as the institutional

<sup>26</sup> *Ibid.*, April 30, 1918, editorial discussing Rathenau's books, *Von kommenden Dingen* and *Die neue Wirtschaft*.

<sup>27</sup> *Ibid.*, June 7 and July 15, 1919, editorials.

<sup>28</sup> *Ibid.*, May 3, 1910, editorial.

framework for a social democracy. Feiler himself, in frequent conferences with Hugo Preuss, had taken a hand in the framing of the social-economic sections of the Constitution,<sup>29</sup> and was later nominated by the Reich government as one of the twelve nonpartisan members of the *Reichswirtschaftsrat*. Article 165 envisaged a pyramid of councils, with shop councils at the base, regional councils in the center and a National Economic Council (*Reichswirtschaftsrat*) at the apex. When it came to setting up these groups, Feiler heartily approved of the shop councils, indeed the most important institution of social democracy, and the National Economic Council, although he insisted that the latter be a deliberative organ to advise the government on economic policies, not to make political decisions, as some reactionaries had proposed.<sup>30</sup> Both these institutions seemed appropriate to a natural, functional need of society, but for regional councils no such need was apparent. "What matters is not that we laboriously fabricate artificial organizations which will lead only a shadowy existence, but that we make room for what is alive. The most important thing is to let things grow."<sup>31</sup> Consequently he proposed that, instead of creating regional economic parliaments, the existing organizations, such as chambers of agriculture, trade and crafts, be reformed by the introduction of a truly democratic franchise.

Feiler also distinguished himself among his liberal contemporaries by his keen interest in agricultural economics and his lifelong devotion to the ideal of a peasant economy. Although passionately opposed to the possession of large estates by a privileged landed nobility, especially in eastern Germany, he was never sympathetic to the various proposals aimed at socialization of the soil or conversion of estates into collective farms. He wanted the free farmer with his rugged independence, and all his life he fought for this idea with the utmost insistence and sincerity. "*Latifundia per-*

<sup>29</sup> Information from Mrs. Feiler.

<sup>30</sup> *Frankfurter Zeitung*, March 3 to April 1, 1919: "Der Ruf nach den Räten"; and May 16 and 18, 1920: "Wirtschafts-Parlament."

<sup>31</sup> *Ibid.*, January 1 and 3, 1922: "Die Wirtschaftsdemokratie"; and October 15, 1925, editorial.

*didere Italiam*" was the title of one of his earlier articles, written in 1911, and it remained his leitmotif ever after. "What shall be the purpose of our native soil? Shall it serve only to provide a thin crust of nobility . . . with the basis for a more exalted existence and inherited rights of leadership—or shall it serve as a home for the greatest possible number of free and independent men?"<sup>22</sup> And two years later, with a truly Jeffersonian touch, he added: "This is our aim: peasant farm on peasant farm, from Lake Constance to the Russian border!"<sup>23</sup>

Feiler's attitude on the agrarian question—an attitude which determined the policy of the *Frankfurter Zeitung*—was not altogether realistic and consistent. It seems that he often confused what was socially desirable with what was economically possible. For instance, he failed to take into account what many Social Democrats realized, that large estates have a technical advantage over small holdings for the production of certain foodstuffs, especially of grain. He was also convinced that the interests of the small farmers were directly opposed to those of the landowners, and that their political-economic alliance was based merely on tradition, lethargy and demagoguery. As a counterpoise, he strongly championed a common front between the peasantry and the democratic forces of the cities,<sup>24</sup> which was obviously utopian in view of the basic conflict between producers and consumers over the price of food. Altogether the Republic, except through the Catholic Center Party, never managed to capture substantial portions of the rural electorate, which thus remained a dangerous potential for reactionary movements. The liberal circles around the *Frankfurter Zeitung* in particular, with their uncompromising insistence on free trade, failed to make the new regime attractive to the farmer. It is significant that Hermann Dietrich, the only farmer-democrat prominent under the Republic, once in office as Minister of Agriculture, pursued a policy very different from that advocated by Feiler.

<sup>22</sup> *Ibid.*, August 10, 1911: "*Latifundia perdidere Italiam.*"

<sup>23</sup> *Ibid.*, May 9, 1913, editorial.

<sup>24</sup> *Ibid.*, March 29, 1911, editorial.

Feiler's radical demand for splitting up the estates, in such marked contrast to his much more moderate attitude toward industrial and commercial bigness, can be explained only partially on economic grounds. Predominant were other motives. The owners of these east Elbian estates were for the most part sworn enemies of democracy and social reform. They tried to preserve semifeudal institutions in their native provinces, thus preventing economic growth and political development, and endangering national unity. Worse still, entrenched as they were in the Prussian House of Deputies by virtue of an antiquated franchise, they seriously retarded the progress of the Empire toward democracy and thus became a dead weight on the whole nation. Although the Revolution deprived them of this strategic position, they were still wealthy and influential enough to sabotage the Republic at every turn. It was this political power of a few thousand magnates, and their stranglehold on German liberty, which the *Frankfurter Zeitung* tried to break.<sup>35</sup>

Feiler, moreover, had a special, personal reason for his stand. A son of Germany's eastern provinces—he was born in Silesia and his family came from Königsberg in East Prussia—but by choice a resident of Germany's liberal and democratic southwest, he was filled with an ardent desire to see his own homeland raised to the economically, politically and culturally advanced stage of his adopted environment. Again and again he emphasized that eastern Germany must be assimilated to the rest of the Reich by a grand program of modernization, in the interests of the eastern provinces themselves as well as of the nation as a whole.<sup>36</sup> A vast scheme of internal colonization was to create hundreds of thousands of new farms on old estate lands, thus providing room for the younger sons of farmers from other parts of Germany. The influx of people would in turn stimulate commerce and industry. In this way the east would not

<sup>35</sup> *Ibid.*, January 29, 1910, editorial; and February 1, 1914: "Zum Zaberner Fall."

<sup>36</sup> *Ibid.*, October 7, 1910, editorial; January 31, 1911, editorial; May 19, 1911, editorial; July 16, 1911: "Das Problem des deutschen Ostens"; June 6, 1912, editorial; January 1, 1921: "Innere Kolonisation und staatliche Domänen"; August 3 and 6, 1925: "Bauernsiedlung."



only develop its own resources but would also relieve the Reich of a large part of its surplus population, and strengthen the German nationality in its farthest outposts.

With the loss of Posen and West Prussia to Poland at the end of the first World War, a loss which Feiler felt very deeply, these plans naturally had to be reduced in scale.<sup>37</sup> Yet when he made a trip to East Prussia in 1921 he noted with pride and pleasure the hopeful advances made by that province in the face of great odds.<sup>38</sup> Soon after the inflation, when German agriculture was in the throes of its first big postwar crisis, Feiler admonished the government to buy up and parcel out some of the bankrupt estates, but not much was done.<sup>39</sup> Again, under Brüning's chancellorship, he urged the same idea.<sup>40</sup> When in May 1932 the government did begin to carry out just such a plan, the east Elbian Junkers succeeded in persuading President von Hindenburg to dismiss the chancellor, confirming Feiler's estimate of their dangerous power.

"Internationalism as the idea of peace and a new peaceful order in the world is not by itself opposed to, but can beneficially be combined with, the natural feelings of men for their home, their native country, and their people." This sentence from Feiler's book *Fascism for Whom?*<sup>41</sup> sums up perfectly his own position. He was not only a good German, but a good European and a good citizen of the world. The professional patriots and annexationists he fought with courage and bitterness. To him the relationship between nations, like the relationship between individuals, was a matter of moral laws directly deducible from the categorical imperative. It was no accident, therefore, that in all countries the advocates of reactionary politics at home were usually identical with the advocates of external violence. Each nation is really divided into two camps, "those who believe solely in force, external and internal,

<sup>37</sup> *Ibid.*, October 14, 1918, editorial; January 3, 1919, editorial.

<sup>38</sup> *Ibid.*, August 25 and following, 1921: "Ostpreussen hinter dem Korridor."

<sup>39</sup> *Ibid.*, August 3 and 6, 1925: "Bauernsiedlung"; October 21, 1925: "Schlesische Sorgen."

<sup>40</sup> *Ibid.*, April 10, 1930: "Schiele's gefährlicher Weg."

<sup>41</sup> Max Ascoli and Arthur Feiler, *Fascism for Whom?* (New York 1938) p. 154.

and those who consider ideas as powerful too — above all the idea of justice, external and internal.”<sup>42</sup>

In this spirit he never tired of championing the cause of the Polish nationality under the Empire, just as he later bitterly criticized what he considered excessive Polish demands at the peace table and their partial fulfilment at Versailles. Those who would benefit their own nation by doing violence to another he attacked with utter impartiality, whether they were found among his compatriots or abroad. When the anti-Polish expropriation laws of 1908 were finally repealed during the war, he commented in a very characteristic fashion: “We welcome this step not only as an act of political expediency, and not even solely as a means of reconciling the Poles, but as a purification of our national life. For in the life of a nation everything which replaces right by might demoralizes the whole body politic.”<sup>43</sup>

As to the wisdom and fairness of the peace treaties of 1919 and their later application, Arthur Feiler came to conclusions very similar to those of J. M. Keynes, whose *Economic Consequences of the Peace* he held in the highest esteem. As an advisory member of the German delegation at Versailles that drafted the German reply to the Allied terms, he had a close view of the proceedings as well as an intimate knowledge of the economic sections of the treaty. To the last minute he hoped that the Allies would consent to negotiations at least among experts, which he was sure would lead to some improvements.<sup>44</sup> When all hope failed he was nevertheless for accepting the Allied terms, as the lesser of two evils, and once the treaty had been signed he became an ardent supporter of the policy of fulfilment. Whatever may have been the merits and faults of this policy in individual instances, as a whole it was based on a realistic appreciation of Germany's position in the world; and its defense required a high degree of courage and indifference to unpopularity. By en-

<sup>42</sup> *Frankfurter Zeitung*, September 19, 1917, editorial; and December 19, 1917; editorial.

<sup>43</sup> *Ibid.*, May 21, 1917, editorial.

<sup>44</sup> *Ibid.*, May 26, 1919, editorial.

listing the great prestige of the *Frankfurter Zeitung* in support of it, Feiler rendered invaluable aid to the successive governments of the German republic which were pledged to the same course.

It was the great hope of Feiler and indeed of all republican Germany that if the treaty were fulfilled loyally and to the limit of what was humanly possible the intrinsic impossibility of such sections as that on reparations would become apparent, and that with the cooling of war passions Germany would regain the friendship of her former enemies, to the extent that soon "a new and genuine peace treaty would be signed."<sup>4</sup> These hopes too failed: the statesmen of Europe, especially of France, continued to wave the flags and beat the drums instead of letting the passions of war die down; Versailles was followed by the dismal Conference of Spa, the Upper Silesian decision, the London Ultimatum and finally the Ruhr invasion, which sent the tottering German currency into an unimaginable abyss. Then Feiler gloomily warned that "brutality is bad business"; that "a despairing and hungry nation will not work, least of all for its oppressors"; that every new injury inflicted on the Republic was merely water on the propaganda mill of callous reactionaries; and that the demise of democratic Germany would eventually turn *vae victis* into a *vae victoribus*.<sup>5</sup> In April 1920, after the dangerous rightist revolt known as the Kapp Putsch had been successfully overcome, he wrote prophetically: "Do people abroad realize that the future of German democracy depends largely on the further attitude of the world toward us? . . . They murder German democracy by driving the German people to despair, at the very eve of final democratic victory. . . . A Germany despairing of its life could never remain democratic. It would become the prey of extremist agitators of the Left and the Right, on whom it had just turned its back, and it would always be the breeding ground of nationalism and bolshevism in Europe. And Europe itself would perish with it."<sup>6</sup>

<sup>4</sup> *Ibid.*, June 18, 1919: "Vom 7. Mai bis zum 16. Juni."

<sup>5</sup> *Ibid.*, May 26, 1919, editorial; January 11, 1920: "Die deutsche Not."

<sup>6</sup> *Ibid.*, April 10, 1920, editorial.

By far the greatest and most productive part of Feiler's life was devoted to the *Frankfurter Zeitung* and to related activities as a publicist.\* The *Frankfurter Zeitung* long enjoyed a unique position in German life, far outranking any other newspaper of whatever shade of opinion in the quality of its service as well as in moral earnestness and integrity. Its internal organization was traditionally very democratic. There was no editor-in-chief and no hierarchy of editors; the policies of the paper were determined by a daily board meeting of the entire editorial staff of the political section. From time to time, however, a single personality would informally assume a leading position, and for the fifteen years from 1916 through 1930 Arthur Feiler was in fact the most important single influence behind the policies of the paper.\* The support of the *Frankfurter Zeitung* was of the highest importance to any German government, and Feiler's defense of democracy against the soviet system during the revolutionary period of 1918-19; his counsel of moderation in the socialization question; his loyal and impeccably democratic attitude during the difficult days of the Kapp Putsch, when many supporters of the Republic were wavering; and his unequivocal stand in support of the policy of fulfilment helped greatly to stabilize the German republic in its early stages.

In his articles Feiler was as much educator as journalist. To almost a generation of German newspaper readers he was a guide who interpreted economic and political facts in clear and intelligible terms, and who taught his audience to think along economic and political lines. During his most vigorous and inspired period, from 1917 to 1923, he fearlessly and tirelessly lectured the government,

\* In addition to those mentioned elsewhere in this article, Feiler was the author of the following books and pamphlets: *Die Probleme der Bankenenquête* (Jena 1908); *Das Problem des deutschen Ostens* (Frankfurt a.M. 1911); *Die Konjunkturperiode 1907-13 in Deutschland* (Jena 1914); *Handelspolitik und Krieg, Gespräche in Deutschland und Oesterreich* (Frankfurt a.M. 1916); *Vor der Uebergangswirtschaft* (Frankfurt a.M. 1918); *Der Ruf nach den Räten* (Frankfurt a.M. 1919); *Die Todesgefahr des Kontinents* (Frankfurt a.M. 1919); *Die Wirtschaft des Kommunismus* (Frankfurt a.M. 1920); *Das Neue Oesterreich* (Frankfurt a.M. 1924); *Neue Weltwirtschaft* (Frankfurt a.M. 1927).

\* Information from Dr. Franz Wolff, formerly an editor of the *Frankfurter Zeitung*.

the Reichstag and the nation on their public duties. These articles breathe his Kantian spirit at its best: have courage to act, do not shun responsibility, have the will to be free, work for your freedom and independence. With inexhaustible energy he attacked the same problems, the same sore spots, again and again.

As early as 1920, however, a note of fatigue and disappointment crept into his writings. On the second anniversary of the Revolution he published an article entitled "The Tragedy of the Revolution," sadly admitting that the Revolution of 1918 was no real revolution but merely the collapse of the old order under the impact of defeat. This was the fault, he thought, of the Social Democrats, who for decades had agitated for Marxian socialism but did not know what they wanted when they came into power. It was the fault also of the German bourgeoisie, which lacked the courage and imagination to abandon the old party system and join with the workers in a single, powerful, all-democratic party. And it was the fault lastly of the victors, who refused to grant German democracy a respite to establish itself through a slow process of inner clarification. The nation is spiritually sick, he concluded, it runs after charlatans, "it aimlessly chases around in the dark."<sup>80</sup>

Gradually the note of disappointment grew, and dampened the fighting spirit that had distinguished his earlier articles. At a time when most of his fellow democrats felt complacently that the Republic left little to be desired, he was already filled with dark forebodings and doubts as to whether the gains of the political revolution could be maintained without a true social transformation. Although as a member of the *Reichswirtschaftsrat*, the Reich Cartel Court and the second Socialization Commission, he actively participated in the building of an economic democracy by championing the cause of the consumer, he felt that the many social achievements of the Republic still fell far short of his own ideals as expressed in *Der Staat des sozialen Rechts*. The vested interests of heavy industry and big landowners, having weathered the storm of the Revolution, were once more politically in the ascendancy. During the

<sup>80</sup> *Frankfurter Zeitung*, November 7, 1920: "Die Tragik der deutschen Revolution."

inflation they even dared propose the creation of a private currency, backed merely by "the economy"—that is, by themselves—which would have reduced the Reich government to complete impotence, if not subservience.<sup>51</sup>

In vain did Feiler plead against the growing desire among the bourgeois parties to exclude the Social Democrats from the government of the Reich and to form purely nonsocialist coalitions.<sup>52</sup> Stresemann's German People's Party, the representative of big business, held a strategic position in the Reichstag and took full advantage of it. In the face of this situation Feiler's attitude became more and more one of resigned criticism. Under the influence of Heinrich Simon, the gifted but not very stable owner of the *Frankfurter Zeitung*, new men and new alignments began to gain power within the editorial staff of the paper. The new group, some of whose members later capitulated all too easily to the Nazis, was not much interested in fighting for democracy and social justice, but took a more complacent view rather typical of the majority of German liberals at the time. They came to regard Feiler's attitude as uncongenial and inconvenient.

In the fall of 1930 matters came to a head, and at the end of that year Arthur Feiler left the editorial staff of the *Frankfurter Zeitung*, although he continued to write for the paper as a freelance journalist.<sup>53</sup> But when the Nazi tide assumed ever more threatening proportions, his old spirit revived. Some of his articles of the years from 1931 to 1933 are reminiscent of the best of those he wrote just before and after the Revolution. Typically enough, some of the best of them were not accepted for publication.<sup>54</sup>

In the summer of 1933, after the Nazi seizure of power, Feiler

<sup>51</sup> *Ibid.*, September 8, 1923: "Der Reichswirtschaftsrat."

<sup>52</sup> *Ibid.*, January 15, 1925, editorial; July 6, 1925, editorial; February 4, 1927: "Die Pflicht zur Opposition"; March 22, 1928, editorial.

<sup>53</sup> The rumor that Feiler's dismissal was caused by pressure from the I. G. Farbenindustrie, which had acquired a strong financial interest in the paper, does not appear to be justified. (Information from Dr. Franz Wolff.)

<sup>54</sup> For instance, a brilliant article, "Wir verdienen den Hitler," written in the fall of 1931, was refused by the *Frankfurter Zeitung*.



decided to leave his native country. Thereafter the fact that he found a hospitable haven in America was to him the only consoling factor in the situation. His interest in the United States had always been unusually strong, long before it became fashionable among European intellectuals to be conversant with American affairs. In 1925 he had made a study trip through the United States which resulted in his brilliant book, *Amerika-Europa*.<sup>55</sup> This book did much to spread a sympathetic understanding of modern America among the people of Germany, and also received wide attention and praise in the United States. Feiler loved the simple and unassuming ways of living which he found in America, the relative absence of rigid class barriers, and the solidity of a democratic state based upon a broad and comparatively prosperous middle class. The America of Jefferson and of the New Deal seemed to hold many valuable lessons for the world and for his native country. To him it was not a strange and foreign land. In fact, it allowed him once more to be himself, and to continue working for those ideals for which he could no longer work at home.

<sup>55</sup> Translated as *America Seen through German Eyes* (New York 1928).

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## THE DOMESTIC RETREAT AFTER WORLD WAR I<sup>1</sup>

THERE are five criteria by which to judge whether a period of economic demobilization has been completed: the end of war controls; the reconversion of production to a peace basis; the final demobilization of the armed forces; the reabsorption of the labor supply in peace production; and the return of prices to a normal, stable level. All but the last of these transitions from a war economy to a peace economy were achieved very rapidly in the United States after the end of World War I. Most of the war controls were removed by the end of the fiscal year, June 30, 1919; a few agencies, such as the Railroad Administration, the United States Grain Corporation, and the War Trade Board, continued into the latter part of 1919, and two other wartime controls—those of food and of fuel—were briefly revived in the latter half of 1919. Practically all war production except projects such as the shipbuilding program, which were in reality designed for peace as well as war, ceased by July 1, 1919. The armed forces were demobilized before November 11, 1919. The large labor surpluses of early 1919 were largely absorbed in the inflationary boom later in the year.

But, while the war economy was readily demobilized in these four ways, it was by no means so quickly readjusted in the fifth and most important respect, the return of prices to a peacetime level. Although many attempts were made to reduce the high cost of living, no governmental or business efforts in that direction met with success. In fact, the price decline, the final stage in economic demobilization, did not begin until May 1920, and then continued steadily until January 1922 when prices were down 44 percent from the postwar peak.<sup>2</sup>

Furthermore, although the early period of economic readjustment seemed to be completed with relative ease and rapidity, with no signs of revolution and no great army of unemployed, actually few if any of the major postwar problems were adequately dealt with by the government. On closer examination, the rapidity of the demobilization after World War I appears to be a delusion. If the fifth criterion of economic demobilization is included—and certainly the price level cannot be ignored—then the transition period was neither so rapid nor so smooth

<sup>1</sup> The material in this article is part of a study of demobilization made by the author, to be published by the American Council on Public Affairs in the near future.

<sup>2</sup> Bureau of Labor Statistics Wholesale Price Index, *Standard Trade and Securities*, no. 88, April 29, 1938, Section D, p. 6.

as it was widely believed to be at that time, but on the contrary was painful and protracted, and detrimental to the common welfare.

From the economic viewpoint, the period from April 6, 1917, to January 1, 1920, provided the tragic story of great discoveries and advances being made in the realm of industrial and economic organization, only to be lost in the rejoicing of peace. Whether this was because of deliberate design on the part of the vested interests, or indifference and lack of understanding on the part of the public, or the fortuitous working of powerful social and economic forces beyond man's power to control, cannot be determined precisely. No doubt all of these elements as well as others contributed to the violent reaction that pervaded the country by the end of 1919. The significant thing from the standpoint of the present analysis is that by that time America had forgotten practically all the lessons of the war, and had returned almost wholly to her prewar state of mind — smug, selfish, isolationist.

In practically every area where great progress had been made during the war, the transition period saw the clock turn back to prewar days. Foremost among the needs of the expanding industrial civilization was the development of new roles for both the corporation and the labor union. During the war great strides had been made under the supervision of the War Industries Board in changing the role and functions of corporations so as to increase production, eliminate waste, conserve natural resources, improve the quality of products, standardize parts, simplify industrial processes, and in general increase efficiency of operation.<sup>3</sup> Moreover, the basis had been laid for a nationwide statistical service in the data-collecting techniques which the War Industries Board set up in order to secure maximum industrial coordination. Such a service, continued into peace on a gradually improved scale, could have proved of inestimable value not only in guiding economic policy through the transition but in furnishing business with information that should have been considered indispensable. The Reconstruction Research Division of the Council of National Defense strongly urged the continuance of such statistical services as a permanent policy,<sup>4</sup> and the National Association of Manufacturers expressed a willingness<sup>5</sup> to initiate, under the supervision of the Council, a voluntary clearinghouse of essential busi-

<sup>3</sup> Bernard Baruch, *American Industry in the War* (New York 1941) pp. 106-07.

<sup>4</sup> Council of National Defense, *An Analysis of the High Cost of Living Problem* (Washington 1919) pp. 20-23.

<sup>5</sup> Letter of Nathan Williams, Secretary of the National Association of Manufacturers, to Grosvenor Clarkson, Director of the Council of National Defense, October 9, 1919 (Council of National Defense Records, now in National Archives).

ness information through national trade associations in all lines of industrial activity. But such proposals came to naught.

With the return of peace practically all the types of industrial and statistical coordination that had proved of such benefit to the national welfare during the war were thrown aside in the mad rush to resume the *status quo ante*. Continued business agitation for a repeal of the anti-trust laws, and the development of a system of federal supervision for interstate business, held out the promise of permanent gains from the war experience. But when the antitrust drive got under way in the campaign against the high cost of living and the early efforts of the Industrial Board proved unsuccessful, all hopes for real development in that direction were smashed, at least for some time to come.<sup>6</sup> In a somewhat different sphere, the whole question of public ownership was not even given an experimental try, such as the five-year trial period suggested by Railroad Administrator William McAdoo. The railroads were turned back to their owners under the Esch-Cummins Act of March 1920. Thus the possibilities of cooperation and consolidation under government direction were postponed for future exploration.

At the end of the transition period, the corporation stood in practically the same position it had occupied before the war, except that it had acquired much more skill and experience in the ways of group action. Technically corporations were supposed to be competing against one another; actually they engaged in competition only in so far as it benefited business. Any greater degree of competition, which, according to the theory of natural forces, would have benefited the public, was studiously eliminated by a multitude of restrictive techniques. There was no question that businessmen had reached the point in practice and in thinking where they were willing and able to compete only within certain profitable limits, and for the remainder, techniques of cooperation, combination and restriction would be used in order to protect their positions in the "open market" and their profit margins on the balance sheet.

In other words, the old issues of antitrust vs. regulated combination, natural forces vs. human forces, competition vs. cooperation, law of supply and demand vs. government regulation, were dead. Business had reached a new synthesis wherein cooperative competition or competitive cooperation, collectivist individualism or individualist collectivism, however it might best be described, was the order of the day. The only

<sup>6</sup> New York Times, October 12, 1919, Section 3, p. 4. See also the author's "Industrial Board, Precursor of the N.R.A.: the Price Reduction Movement after World War I," *Journal of Political Economy*, vol. 51 (June 1943) pp. 235-50.

debatable question was whether this new capitalistic hybrid would function under the direction of businessmen in their own interests, with a great deal of necessary deception in view of the antitrust laws still on the books, or whether it would be operated by business under the supervision of the government in the public's interest. This is not putting the issue in terms of socialism vs. capitalism, or communism vs. free enterprise; it is merely a plain statement of the issues which the evolutionary development of business practice and philosophy presented at the end of World War I. The broad outline of a plan that might have been in line both with the public interest and the development of business practice was suggested by Bernard Baruch in his final War Industries Board *Report*:

"Such a plan should provide a way of approaching industry, or rather of inviting industry to approach the Government, in a friendly spirit, with a view to help and not to hinder. The purpose contemplated is not that the Government should undertake any such far-reaching control over industry as was practiced during the war emergency by the War Industries Board; but that the experiences of the war should be capitalized; its heritage of dangerous practices should be fully realized that they might be avoided; and its heritage of wholesome and useful practices should be accepted and studied with a view to adapting them to the problems of peace. It is recommended that such as have been found to be clearly of public benefit should be stimulated and encouraged by a Government agency, which at the same time would be clothed with the power and charged with the responsibility of standing watch against and preventing abuses."<sup>\*</sup>

Along with the problem of the corporation, the greatest need in the period of demobilization and reconstruction was the development of a new role for the laboring man and the labor union. The war had purportedly been to "make the world safe for democracy." Any reasonable sincerity in American policy would, as John D. Rockefeller, Jr., pointed out at the First Industrial Conference in October 1919, have demanded that the prevailing system of industrial autocracy be leveled and a system of industrial democracy be erected in its place. Conservatives and radicals might differ in their interpretations of what industrial democracy involved, and just how much redistribution of economic power would have to take place before a bona fide system of democracy in industry had been established, but that was immaterial to the issue. One supreme value of democracy lay precisely in the fact that such minor issues of degree could be worked out peacefully and with good will, once an

<sup>\*</sup> Baruch, *American Industry in the War* (cited above) pp. 106-07.

initial commitment had been made to the principles of economic democracy, wherever they might lead.

Today few people would deny to labor the two fundamentally democratic rights of organization and collective bargaining, yet these were the issues which split the Industrial Conference. Businessmen could hardly disagree with industrial democracy as an abstract proposition, but when it came to giving the principle specific content they insisted uncompromisingly on following their idea of democracy, which of course involved no real redistribution of economic power. This was by no means true of the whole business world, for there was a large and articulate segment which was conscientiously attempting to evolve a new system of industrial relations, but this liberal wing was gradually submerged in the reaction that swept over the business community in the latter half of 1919.

As a result, practically all the labor standards that had been set up as an essential condition for the successful prosecution of war were discarded on the return to peace. The War Labor Board was starved out by lack of appropriations or peacetime authority at the very time when the nation most needed its services. On March 3, 1919, at the peak of the first postwar industrial crisis, Congress permitted the United States Employment Service to be cut to twenty percent of its normal working force. The excellent wartime Working Conditions Service in the Department of Labor, with its three divisions of Industrial Hygiene and Medicine, Labor Adjustment, and Safety Engineering, was forced to dissolve for lack of appropriations. The bright prospects for a system of health insurance in some of the more progressive states, such as Wisconsin, New York and Ohio, and the lesser prospects for a system of unemployment insurance, also went into oblivion by the end of 1919. In short, practically all the gains in labor standards during the war were set aside on the return of peace, with the result that the long, difficult and partly violent process of advancing from an industrial autocracy to an industrial democracy was delayed until the 1930's.

Another field in which great progress had been made during the war was conservation. The urgent need for goods of all kinds led to conservation practices on a scale that America had never experienced. The program was carried out through the Council of National Defense and the War Industries Board, as well as by separate divisions and departments of many other regular government agencies. The Waste Reclamation Service and the Industrial Cooperative Service in the Department of Commerce, for example, discovered in their short-lived history many ways of utilizing ordinary waste products and improving efficiency that



more than compensated for their small expenses.<sup>8</sup> Then came the peace. The conservation efforts of the war agencies were liquidated along with the parent agency. Conservation divisions of regular government departments were starved out through lack of funds. The plan of the Secretary of the Interior, Franklin K. Lane, for reclaiming waste lands was persistently pigeonholed. Coal employers, seeking to set up some system in place of a return to the old wasteful practices of competitive mining, submitted a plan in cooperation with the United Mine Workers and the Fuel Administration providing for a continuance of sound conservation practices, but this likewise was ignored by an unsympathetic Congress. Looking back twenty years, one cannot but wonder what the United States would have been like had sound war conservation practices been adopted as a permanent policy.

A fourth field evidencing the need for a continuance of wartime policies was the securities market. In the war emergency the Capital Issue Committee had been set up to exercise a voluntary control over the issuance of new securities. After the Armistice its activities were rapidly brought to an end, partly on the basis that the Secretary of the Treasury intended to secure permanent legislation setting up a supervisory body over the stock markets, but primarily because of Wilson's hands-off policy. The events of 1919, as well as of the later 1920's, proved that security regulation of the kind that was finally achieved in the 1930's would have been of inestimable value in controlling speculative excesses.

Agriculture was yet another area in which valuable war experience was lost in the reshuffling of peace. The minute regulations of the Food Administration necessary during the war were of course unadapted to peacetime activity, but a continuance of some of the broad policies of conservation, price and production control would have put agriculture in a much better position to weather its depression during most of the 1920's, when the rest of the economy was enjoying prosperity. Moreover, it would have made possible needed experimentation during the 1920's, which would have saved the Department of Agriculture much grief and criticism in the 1930's. Interesting in this connection is the fact that George Peek, Chairman of the Industrial Board, was throughout this period one of the outstanding proponents of a mild system of agricultural planning as the means of bringing back prosperity to the farming community.<sup>9</sup> A minor aspect of the agricultural situation was the increasing signs of farm-labor rapprochement in the early postwar period, but this combination of reform movements was definitely scuttled

<sup>8</sup> *Annual Report of the Secretary of Commerce*, 1919, p. 69-72.

<sup>9</sup> See his plan in George Peek and Hugh S. Johnson, *Equality for Agriculture* (1922).

toward the end of 1919, when the farm organizations of the country declined further overtures of cooperation because of the label of radicalism which had been pinned on the labor movement during the campaign against the high cost of living.<sup>10</sup>

The "return to normalcy" was indeed a return with a vengeance. In the fall of 1920 a Republican victory, reflecting the temper of the times, presaged another golden era of laissez-faire. America had clearly returned to the state of mind of prewar days. The great idealism of reconstruction that had sprung up profusely in the early days of peace proved to have no roots. While the social climate in the United States had exhibited some of the revolutionary characteristics that typified much of postwar Europe, we had not been in the war long enough for the ferment to work down into the fabric of our economic and social system. The result was a shedding of much of the democratic idealism of the war as if it were an uncomfortable garment to be put away with the uniforms. America had not yet found herself.

E. JAY HOWENSTINE, JR.

<sup>10</sup> *Commercial and Financial Chronicle*, vol. 109, September 20, 1919, p. 1132; November 8, 1919, p. 1751; November 22, 1919, pp. 1945-46. For the contrast earlier in the year, see "Reconstruction Program of American Farmers," *Monthly Labor Review*, vol. 8 (March 1919) pp. 688-90.

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## VEBLEN ON JAPAN

SINCE the attack on Pearl Harbor the American public has become increasingly aware of the nature of the Japanese ruling cliques, which Veblen in 1917, on the occasion of Japan's entry into that war against Germany, characterized as the "shrewdest, most callous, and most watchful of all adepts in unashamed statecraft."<sup>1</sup> And in other respects as well, one is impressed today, in reading Veblen's comments on Japan, by the keenness of his insights and the accuracy of his prophecies.

Veblen wrote two short essays on Japan: "The Opportunity of Japan" (1915), and "The Japanese Lose Hope for Germany" (1917). Both are published in *Essays in Our Changing Order*, and it is to that book that the subsequent page citations will refer. A more detailed analysis of the ideas in the first essay, which is the more important of the two, is contained, however, in *Imperial Germany and the Industrial Revolution* (1915)<sup>2</sup> and also in some of the other books, especially *The Theory of Business Enterprise* (1904).

"What is here intended by 'opportunity of Japan,' " wrote Veblen at the beginning of that essay, "is not so much an outlook of prospective gain for the Japanese people as of aggrandisement for the Japanese State. It will hold true in this instance as in so many others that the advantage of the country's population does not in any sensible degree coincide with that of its directorate, except it be in point of sentiment." And "the cost of such dynastic aggrandisement falls, of course, on the people at large" (p. 248).

He proceeded then to analyze the Japanese government, whose parliament he always referred to within quotation marks: "Power vests in a self-appointed, self-authenticating aristocratic cabinet—under the mask of a piously nourished monarchical fiction—with the advice, but without the consent of a 'parliament' endowed with advisory powers." "The emperor is now paraded instead of being retired behind the screen, and there is much ceremonial dust thrown up about his ostensible share in the measures taken by the bureaucratic directorate, all of which is, doubtless, good management" (pp. 250-51). Most of the present-day books on Japan agree substantially with that analysis.<sup>3</sup>

Veblen saw Japan as a nation whose productive technology is modern

<sup>1</sup> *Essays in Our Changing Order* (New York 1934) p. 246.

<sup>2</sup> Veblen was one of the earliest writers to see the close affinity of German and Japanese societies, and to forecast a like future for them. The fact that these societies served as vivid illustrations of his fundamental ideas accounts for his profound interest.

<sup>3</sup> See, for example, L. Zugsmith, *The Setting Sun of Japan* (New York 1942).

but whose institutions of social control are feudalistic. So far, he said, it is "only in respect of its material ways and means, its technological equipment and information, that the 'New Japan' differs from the old" (p. 251). The strength of Japanese imperialism lies in this combination of the spirit of Old Japan and the technology of New Japan. Today, translated on the battlefields of the Far East, it means the fanaticism of the Japanese soldier in whose hands are most efficient implements of war.

But why did the Japan of 1915 retain so much of the feudalistic spirit belonging to a "past predatory era"? Veblen brushed aside the explanation that this was due to "native endowments peculiar to the race."<sup>4</sup> He found the answer in the fact that the Japanese have been subjected to the institutional effects of the machine for only a relatively brief period of time. Contrasting England with Japan, he declared: "... like the Japanese, the English have been a nation of borrowers, particularly borrowers of technological elements. But their borrowings have been extended over an incomparably longer interval of history and have in no case involved so abrupt a break with the ... cultural past" (p. 253).

Veblen believed that there are two factors, or "prime movers," that may dissipate the feudalistic qualities of Old Nippon: the rise of industrial materialism; and competitive business enterprise. Thus "A competent system of communication, internal and external, is of the essence of the case ... from which it follows that the isolation, parcelment, and consequent home-bred animus of the people is already beginning to disappear, and the corresponding clannishness and adhesive loyalty to their hereditary local masters is also in process of decay" (pp. 260-61).

In regard to the influence of industrialism, Veblen prophesied that in time "the joy of living in obscure privation and contumely for the sake of the Emperor's politics and posthumous fame will be lost to the common man," and that the latter will acquire "materialistic, commercial, and spendthrift conceptions of right and honest living" (p. 255). In other words, the population of Japan may be expected, "presently and expeditiously, to fall in with the peculiar habits of thought that make the faults and qualities of the western culture—the spiritual outlook and the principles of conduct and ethical values that have been induced by the exacting discipline of this same state of the industrial arts among the technologically more advanced and mature of the west-

<sup>4</sup>The Americanization of the Japanese in Hawaii shows the validity of Veblen's stand here. For example, there were instances in 1937 of stevedore unions, led by Japanese, refusing to load scrap iron on ships headed for Japan; and during the Pearl Harbor attack there were no cases of sabotage committed by second generation Japanese. Such examples are borne out by statements of Hull, Knox and Stimson.

ern peoples" (p. 254). The industrial system necessitates also a high degree of literacy, and this, by diffusing factual information, "comports ill with those elusive putative verities of occult personal excellence in which the 'Spirit of Old Japan' is grounded."

In the chapter on "Civilization and the Machine Process," in *The Theory of Business Enterprise*, Veblen analyzed in detail the significance of this breakdown of feudalistic values through the discipline of machine industry. Briefly, his contention is that the growth of machine culture entails the emergence of labor unions and radicalism, especially socialism and anarchism—which Veblen considered essentially "matter-of-fact, materialistic, unmoral, unpatriotic, undevout."

Was Veblen right in his analysis? Certainly the 1920's and early 1930's saw a rapid growth of trade unionism in Japan; despite strong government opposition, labor union membership increased by 155 percent between 1922 and 1930.<sup>8</sup> This was the period when Marx, Lenin, the Soviet Union, Bakunin, birth control ideas, universal suffrage and other western heresies became extremely popular among the university professors and students.<sup>9</sup> Veblen's *Theory of the Leisure Class* itself was translated into Japanese. There is no doubt that there was an upsurge of radicalism, as Veblen foresaw in 1915.

Though most of the participants in the movement toward "materialistic iconoclasm" were those who were subjected to the discipline of the machine and who dealt with "matter-of-fact" material, there were also others, like the tenant farmers, who played significant roles in the movement through their "legal relation to the accumulated goods."<sup>10</sup> The tenant farmers took the initiative in the formation of the left-wing Farmer-Labor party in 1925. Engineers, on the other hand, were conspicuously absent in the movement.

As for the influence of competitive pecuniary enterprise in transforming the "opéra bouffe mythology" and other feudalistic values of Japan, Veblen described two developments which he believed would occur in Japanese society. These are "the control of industrial processes by consideration of net gain to the managers rather than material serviceability," with the result that equipment is "rarely, if ever, worked to its capacity"; and a system of "conspicuous waste."

<sup>8</sup> J. E. Orchard, *Japan's Economic Position* (New York 1930) p. 398.

<sup>9</sup> See, for example, Baroness S. Ishimoto, *Facing Two Ways* (New York 1937); Haru Matsui, *Restless Wave: An Autobiography* (New York 1940); Hugh Borton, *Japan Since 1931, Its Political and Social Developments* (New York 1940) p. 27.

<sup>10</sup> See, for example, Emil Lederer and Emy Lederer-Seidler, *Japan in Transition* (New Haven 1938) p. 233.

Cartels existed in Japan before the 1920's, but it was not until after the First World War that the cartelization of Japanese industry began to assume serious proportions. By the 30's cartels were found in the woolen, copper, coal mining, chemical fertilizer, linen yarn, acid, pulp, cement, pig iron, paper, silk, spinning, oil and sugar industries.<sup>8</sup> The state enacted several laws to foster the formation of cartels and to compel the obedience of non-members to the cartel agreements.<sup>9</sup>

Western social customs and conventions flooded into the cities in the 20's and early 30's, and a great proportion of these importations would qualify under Veblen's "conspicuous waste." Western food, clothes, amusements, buildings (Tudor villas) and manners became popular.<sup>10</sup> Most conspicuously, the Japanese took to western sports. Businessmen increasingly began to spend their afternoons on golf courses; Japan entered the Davis Cup Tournament in tennis; she began to bring forth world champions in swimming; collegiate baseball assumed an importance equal to that of football in the United States; and the crowning achievement was the selection of Japan as the site for the 1940 Olympic Games. Meanwhile "conspicuous waste" of the indigenous sort, such as the tea ceremony, gardening, shrine and temple building, was increasingly cultivated.

Since the Japanese dynastic state took an extremely high proportion of the national income for its own expenditures (about 14 to 16 percent during the early 30's, a relatively peaceful period<sup>11</sup>), Veblen did not expect the increase of wasteful expenditure, "euphemistically spoken of as a rising standard of living," to be so great in Japan as in Britain or the United States. But these phases of civilization which Veblen in 1915 believed would "come to the Japanese in due course of maturity" appeared in the 20's and early 30's.

The "chief assets of the State as a warlike power" are the spirit of Old Nippon and the relative efficiency of the industrial system. But when

<sup>8</sup> See E. B. Schumpeter, ed., *The Industrialization of Japan and Manchukuo, 1930-1940* (New York 1940) pp. 680-718, 751-67.

<sup>9</sup> Exporters' Association Law, 1925; Major Industries Control Law, 1931; Small Industries Association Law, 1931; Commercial Association Law, 1932. See R. A. Brady, *Business as a System of Power* (New York 1943) chapter on Japan.

<sup>10</sup> See, for example, G. C. Allen, *Japan, The Hungry Guest* (New York 1938) pp 39-54. Also, S. Araki, "Problems Facing Japan in the Era of Showa," in O. Tanin and E. Yohan, *Militarism and Fascism in Japan* (New York 1934) pp. 297-309: "Lately, however, part of the people of Japan have forgotten the essentials of their national spirit. . . . They are easily penetrated by a frivolous foreign ideology and a tendency towards a transient merriment becomes more and more noticeable amongst them."

<sup>11</sup> Lederer and Lederer-Seidler, *op. cit.*, p. 229.



these are replaced by materialistic iconoclasm and the other "unintended consequences" of the machine process, and by "capitalistic sabotage," conspicuous waste and the other consequences of pecuniary enterprise, then "the opportunity of imperial Japan as a fearsome power in the world's concert of dynamic politics" will be gone. These consequences of machine technology and pecuniary enterprise will "cut into the disposable margin of production above cost, that might otherwise be drawn to the service of imperial politics." Thus the "climax of the nation's net efficiency as a political or warlike force" is the point at which industrial efficiency is the greatest with a minimum of spiritual disintegration.

When did Veblen believe that Japan would reach this optimum point? His answer was "in the calculable future"—by which he meant that "Japan must strike, if at all, within the effective lifetime of the generation that is now coming to maturity" (p. 266). He ended his essay by saying: "It is, therefore, also contained in the premises that . . . the imperial government must throw all its available force, without reservation, into one headlong rush; since in the nature of the case no second opportunity of the kind is to be looked for." Thus Japan struck in Manchuria in 1931 and in North China in 1937, and threw "all its available force, without reservation, into one headlong rush" against the United States in 1941—all within the "lifetime of the generation coming to maturity" in 1915.

Though Veblen believed that in the long run the institutional effects of the machine process are unavoidable, he saw that efforts would be made to retard or stop these consequences. As he said in 1915, in regard to the Germans (*Imperial Germany*, p. 236), such results are "unavoidable except by a precipitate retreat into the more archaic phase of western civilization out of which they have latterly been escaping. . . . Such a retreat will offset, presently neutralize, and eventually dispel the effects wrought by habituation to the ways and means of modern industry and exact science."

The history of Japan from the middle 30's is a history of this "retreat" into a more archaic form of civilization. The Japanese "adepts in unashamed statecraft," shrewd and watchful, perceived "what their own experience has not taught them, that the industrial era carries the fruits of its own qualities" (p. 266).<sup>22</sup> Also, and more important, as though

<sup>22</sup> Japanese ruling cliques study thoroughly the experience of other countries. Thus, as one instance out of many, Seihin Ikeda, former managing director of the huge Mitsui interests and now a personal adviser to the Emperor, went to Italy in the 20's to study fascism and its effects upon private fortunes.

they had read Veblen they began to "turn the clock back," and to drive out the "unintended consequences" of mechanization and competitive business enterprise.

Volumes of quotations from the leaders of present-day Japan could be offered to illustrate this retreat, but the following statement by Toshio Shiratori, brilliant adviser to the Foreign Office and ex-Ambassador to Rome, is typical: "Simultaneously with the appearance of such a movement [fascism] in Germany and Italy, there also arose in Japan a similar movement for going back to the intrinsically Japanese way of ancient days. . . . Indeed, the accumulation of [the harmful influences of liberalistic civilization] had become so intolerably large in both internal and foreign affairs that at last the nation revolted and its dissatisfaction found expression in the form of the Manchurian Incident of 1931. . . . It called for a re-examination and a return to what is really Japanese in politics, economics and indeed all activities of the people."<sup>13</sup> Konoye, Tojo, Matsuoka and the others have all expressed such ideas.

In *Business Enterprise* (pp. 393-99) Veblen asserted: "If national (that is to say dynastic) ambitions and warlike aims, achievements, spectacles, and discipline be given a large place in the community's life, together with the concomitant coercive police surveillance, then there is a fair hope that the disintegrating trend of the machine discipline may be corrected. The regime of status, fealty, prerogative, and arbitrary command would guide the institutional growth back into archaic conventional ways."

The efforts toward a "New Cultural Structure" are just such an attempt to eradicate "materialistic iconoclasm" and to "reinstate the spiritual furniture of the ancient regime." In religion Shinto is fostered, with Shinto shrines required in all homes, and Christianity is "reformed" to make room for the Emperor on top. The educational reform put into operation in April 1941 declares that "Training in Kodo [principles of benevolent imperial rule] shall dominate all educational activities by fostering the national spirit and strengthening faith in the national polity."<sup>14</sup> Japan's single party has drawn up an East Asia cultural plan which is probably now in operation in the conquered areas. Among other things it proposes "to compile and translate into various East Asiatic languages a book on anti-communism for the purpose of developing a common drive against communism, to hold a Greater East Asia

<sup>13</sup> "The Three Power Pact and Tomorrow," in *Contemporary Japan* (December 1940) p. 1518.

<sup>14</sup> Tokuji Yamashita, "Educational Reform in Japan," in *Contemporary Japan* (May 1940) pp. 609-14.

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Religious Congress, to hold an East Asia religious festival twice a year."<sup>15</sup>

In the political sphere the single party—called Taisei Yokusan Kai, officially translated as Association for Assisting Imperial Rule—has taken over the neighborhood associations, an institutional carryover from Tokugawa days, as its basis in the masses. Membership in these associations has been made compulsory for everyone. One of their important functions is to "renovate modes of living," "eradicate materialistic desires" and "mold the moral life of the people in accordance with national policy." The role of the police as detectors of "dangerous thoughts" (they are given night classes in the evils of Marxism), as strikebreakers and teachers of morality, in general, as depositories of the spirit of Old Nippon, is well known.

As for the legal system, Miyake, a former vice-minister of justice, has declared: "Occidental jurisprudence, which has modern industrialism for its background, has tended to destroy mercilessly the social, moral and religious heritage of centuries, and to inject into the nation a spirit of egoism, self-assertion and contention. The government has found it necessary to modify the laws to offset these unfortunate tendencies."<sup>16</sup>

In the economic sphere labor has been given the "New Labor Structure." Bona fide unions have been dissolved, for it is said that unions, with their ideology of class struggle and strikes, have no place in a country like Japan, with a divine Emperor. In their stead the Sangyo Hokoku Kai, officially translated as Service-to-the-Nation-through-Industry Associations, have been organized, with employers serving as leaders. The object of the associations is to cultivate "an orderly spirit, obedience to superiors, and cooperation among the working staff."<sup>17</sup> The right to quit a job and work elsewhere was taken away from the workers with the passage of the "Work-Book Registration" law (Techyo Seido).

But when the leaders of Japan talk so glowingly about the return to the old ways of Nippon, they do not, of course, mean the adoption of handicraft production. For it is only machine technology, as Veblen pointed out, which makes possible the "brute material force that gives

<sup>15</sup> *Osaka Mainichi and Nichi Nichi* (in English), September 21, 1941.

<sup>16</sup> M. Miyake, in his book, "An outline of Japanese judiciary" (Tokyo 1941).

<sup>17</sup> Mitsubishi Economic Research Bureau, *Monthly Circular*, December 1940, pp. 14-15. See also H. T. Oshima, "Japan's New Economic Structure," in *Pacific Affairs*, vol. 15 (September 1942). For a more detailed description of Japan's war organization see G. A. Steiner and Associates, *Economic Problems of War* (New York 1942) Chapter 5.

[the nation] strength against its rivals." Thus the educational reform laws, though they stress the importance of teaching Kodo, are equally emphatic as regards science: "Pupils must be made to understand that scientific progress offers a substantial contribution to the development of the State. . . . The pupils must be trained to study mathematics and laws of nature. A faculty for analytical and logical observation must be fostered with emphasis on a comprehensive intuitive grasp of the subject under observation. Efforts must be made for scientific training of the pupils by having them undertake accurate, thorough experiments, tests, surveys, drawings and building and other work."<sup>11</sup>

In short, through the "New Order" the ruling cliques are trying to construct a society which can have, in Veblen's words, "the usufruct of the modern state of science and the industrial arts, without the faults of its qualities" (p. 250). They are attempting what Veblen considered to be, in the long run, impossible. "The Imperial State . . . may be said to be unable to get along without the machine industry, and also, in the long run, unable to get along with it; since this industrial system in the long run undermines the foundations of the State." We may yet see how the Japanese imperial state confronts this dilemma.

H. T. OSHIMA

<sup>11</sup> Yamashita, *op. cit.*

*New York City*

## BOOK REVIEWS

MACIVER, R. M. *Towards an Abiding Peace*. New York: Macmillan. 1943. 195 pp. \$2.50.

Remarkable for its candor and its keen search for truth, this book combines realism and idealism, in the common-sense meaning of the terms, to an unparalleled degree—an inexorable realism, and unfailing idealism. It is almost brutally realistic to state as bluntly as MacIver does that there will be wars as long as each nation has command over its own army, and that neither regional federation nor reduction of armament can eliminate them. It is highly idealistic not to draw the nationalistic conclusion that, since there will always be wars, we should be well armed to meet any possible combination, but instead to urge that all nations should gradually surrender all their arms and armies to the supreme command of an international government. "So long as any state owns for its exclusive purposes a single cruiser or a single battery of heavy guns the establishment of international law is still unattained," the author warns, italicizing the whole sentence (p. 122). There is no middle position, he insists. Before smiling at the idealism of his proposal it would be well to wait a moment and think of its realistic basis.

Again, MacIver's statement that defeated major countries cannot in the long run be held down by discrimination is utterly realistic. If their sense of solidarity and nationality is not respected, as in dividing them or placing their vital interests under foreign direction, or if the next generation is punished for what their fathers have done, no peace can endure, nor ever has in the past. Very true, and peace-planners should read these pages carefully. Having such realistic insight, it is idealism at its best not to give up nor to contrive half-hearted compromises, but to ask point-blank that the victors pay the full "psychological price" for enduring peace by completely renouncing revenge and discrimination, except for punishment of individual criminals, surrender of spoils and temporary disarmament in defeat. "If we seek to make an enduring peace we must not disrupt the souls of men so that they fall easy victims to a deadly disease" (p. 6). "The shortest way with defeated enemies is to take the sting out of the enmity" (p. 41). "Lowering of the living standards of enemy peoples will only invite class struggle" (p. 69).

It is realistic to warn that any distribution of land or other values, if considered final, is apt to breed new wars; idealistic to hope that a Commission of Equity could meet all necessities for change and also settle appeals from minorities (p. 119), although it is to have only advisory

functions. Realistic, to fear that the United States may lose the peace through unqualified office-seekers and tariff boosters who masquerade as patriots, and the prerogatives of a one-third minority of the Senate; idealistic, to hope nevertheless for the victory of reason, warning that generals should be given honor, monuments, "anything they ask, except a voice in the peace" (p. 30).

The author insists that his proposed international military monopoly is not utopian, "but the most practical and realistic job to which men can set their hands and minds." His other suggestions deserve study even if the main plan should fail. The representation of each country in the International Assembly shall be determined by popular election from a list of candidates drawn up by appropriate organizations. The precise powers the Assembly is to have remain somewhat nebulous. MacIver would probably agree that it can hardly be authorized to assume any power it deems necessary (*Kompetenz-Kompetenz*). The limitations he indicates are all of the realistic type. Powers shall be limited to the field of interstate relations. Control of immigration shall be left to individual states, as well as the problems of capitalism, communism, state socialism and economic planning, and even—because no other arrangement will be obtainable—the making of tariffs. When a state feels that its economic prosperity is seriously menaced by new tariff measures in another state the matter shall be referred to an International Economic Committee, which shall deliver its report within six months, and in the interim the tariff changes shall remain in abeyance. But the report is to be advisory only.

The International Executive, which is to direct the armed police, is envisaged as a council of eleven, with one member each from eleven states or groups—the United States; Latin America; the British Commonwealth; Russia; Eastern Europe; Central Europe (Germany, Austria, Italy and, tentatively, Switzerland); Western Europe and, tentatively, the Scandinavian countries; the Islamic States; China (with Korea); Japan, Indo-China and Thailand; and India. Each group shall appoint its member to the Executive for a term of about five years. Within the council the majority shall decide, but a minority of three or four shall have the right to appeal to the International Equity Commission. This is to be the "crowning institution" of our international order. Each of the eleven regions will choose its own "Commissioner-in-Equity" for a term of about ten years. Although the Commission is to have only advisory powers, the author anticipates that its influence will be all-important.

As to the International Police Force—the only heavily armed force



to exist—he distrusts a mobile force, such as Ely Culbertson has outlined. He prefers that the greater states, including France and Germany, be each assigned one unit, and the others half a unit each. The members of the armed force will take the oath of allegiance to the international authority on the understanding that they will never be called upon for active service against the government of their own country. As to territorial boundaries, the old Polish corridor should disappear; Estonia and Latvia be restored to Russia; and Lithuania with Memel be given to Poland. Decisions about other sections should be made according to objective criteria without regard to victory or defeat. It was a mistake to keep Austria apart from Germany.

The Constitution shall proclaim to all men the "right to follow their own values," without civil discriminations of any sort (p. 117). There are particularly fine passages on this subject. Realism seems to fail the author, however, for a moment when, speaking of Russia's lip-service to the principle of toleration, he concludes, "We must trust that time and peace will gradually turn purposes into practices" (pp. 34, 129). There are penetrating pages on the definition of democracy, objecting to the cult of the concept of "economic democracy," which tends to confuse the issue (p. 168 ff.); and there are good suggestions on the problem of free access to raw materials (p. 79).

In sum, MacIver proclaims a maximum program for international government in regard to military matters, coupled with a mild and humane scheme in all other respects, trusting that the rest will be easy once the great step in military matters has been made. If his military proposal were put to a vote I would vote for it, and campaign for it too. Should it be rejected, I would revert to some less ambitious plan. But it would be a good plan only if it were in line with MacIver's realistic analysis and his ultimate ideals.

ARNOLD BRECHT

SIMON, YVES. *The Road to Vichy, 1918-1938*. New York: Sheed and Ward. 1942. 207 pp. \$2.25.

Professor Simon has given us in this book a very clear and thorough analysis of the spiritual and social evolution which, in the twenty years from 1918 to 1938, transformed the intensely patriotic and even nationalistic French bourgeoisie into easy prey for the Nazi propaganda machine, and lured it finally into "patriotic" adherence to the puppet Vichy government of Marshal Pétain.

Applying the old principle *is fecit cui prodest*, Simon concludes that the Pétain government was set up by Hitler simply because it was for

the Germans the most profitable of all possible courses. "Let us imagine," writes Simon, "that the Armistice, instead of being signed by Marshal Pétain, had been signed by some ordinary politician. It would not have been possible, then, to tell the French people that accepting the Nazi victory was a patriotic duty. . . . The French Empire would have continued, or resumed, the struggle on the side of Great Britain; the Fascist army in Africa and the Fascist Navy would have been rapidly annihilated; there would never have been a German Army in Lybia. . . . From the Nazi viewpoint, such consequences had to be avoided at any cost."

Thus we see that the simplest and most efficient course was to set up a French government composed of men who had cast their lot for the defeat of the Allies, a government headed by an "honorable" man, a conservative, a Catholic. They found Pétain, and a number of people supporting him, sometimes hiding behind him, for whom nothing was more important than the destruction of democratic liberties and the establishment of a gang-dictatorship on the Nazi pattern. "These people passed themselves off as nationalists (a word which will soon be synonymous with traitor) . . . and most of them came from the part of French society where the Nationalist party traditionally recruited its adherents." In other words, they were the conservative, chiefly Catholic faction which, although traditionally hostile to the republican form of government, had nevertheless until about 1930 been just as traditionally loyal to France. But since 1930, and especially after Hitler came to power, they had replaced their former hatred of Germany with hatred (and fear) of Russia, of communism and of democracy.

The story told by Simon is the story of a tired, disheartened and disintegrating society, a society which had lost its unifying and inspiring myths. (The myth of freedom which was the religion of the liberal bourgeoisie of the nineteenth century died after the first World War. The youth no longer believed in democracy. The influence of the *Action Française*, with its cynical Macchiavellian worship of power and its profascist royalism, spread among the disillusioned bourgeois elite and gained many adherents among Catholics, despite its condemnation by the Pope. The fear of the "People's Front," itself born out of fear of fascism, led to hatred of the populace, to admiration of the "strong" regimes of Mussolini and Hitler, to the hope of being saved by them from the menacing revolution.) Divided and bewildered, blinded by hatred and fear, unable to recognize its friends from its foes, more afraid of victory than of war, this society collapsed under the onslaught of the enemy; collapsed because for an influential part of its so-called

elite the enemy was not so much Nazi Germany as the People's Front, and thus for them the defeat was a triumph (pp. 136-37).

Many of the features in Simon's story of France are specifically French—as, for instance, the Catholic opposition to the republic, or the traditional anti-Germanism of the rightist parties which blocked Briand's policy, or the role of the People's Front movement, or the multi-party system of representation. But it is not the story of France only that Simon tells. Actually, as he points out, France suffered only a more acute and extreme form of the common malady of the western world—as she has throughout her history. Dissatisfaction, disappointment, debunking, extreme pacifism, skepticism and cynicism on the one hand, and on the other, profascism, bewilderment and fear, hatred and internecine strife, anti-Semitism, xenophobia—these trends we find, more or less developed, in nearly all the bourgeois democratic states, in England as well as in America. It is not only France who pursued the policy of appeasement, of peace at any price; it is not only in France that the upper classes hailed the victories of the enemies of their countries—such as the Italian conquest of Abyssinia or the fascist conquest of Spain. It is not only in France that clever propaganda built up powerful fifth columns; not only in France that Czechoslovakia appeared as “war-monger” and Russia as enemy number one. It is not only there that members of privileged classes would prefer Hitler to Stalin, or even to Blum—or Roosevelt. It is not only in France that—in spite of the decidedly pagan character of fascism and of Nazism, in spite of the outright persecution of Christian faith and even of Christian churches—conservative religious groups and churches, especially the Catholic church, remained sympathetic to the totalitarian reaction and viewed it as a shield of the “western” or “Christian” civilization from the “red” menace.

I strongly recommend *The Road to Vichy*. It is a very instructive book, and Simon's analysis of the ways and means of fascist or Nazi propaganda is illuminating. The recipe, as a matter of fact, is simple: foment hate—hate of the Jews, of the British, of foreigners; then emphasize two concepts—first, that the friends of our friends are our friends (so, for instance, the friends of the “Christian hero,” General Franco, must be our friends too), and second, that the enemies of our enemies are our friends (so, for instance, the enemies of the Jews, of the British, of the Soviets, etc., must surely be our friends). Foment hate, and fear—they always go together. For hate and fear are roots of the betrayal.

ALEXANDRE KOYRÉ

DEÁK, FRANCIS. *Hungary at the Paris Peace Conference*. New York: Columbia University Press. 1942. xxiii+624 pp. \$5.50.

This volume, based on extensive published and unpublished documentary evidence, tells a very timely story of the unfortunate consequences of commitments made to governments in exile by the Allied powers during the first World War. It also contains a very instructive chapter describing how postwar events in Hungary took an evil course because the Allied powers had no military forces in Hungary after her defeat. First a small group of Bolsheviks seized the government, then the Rumanian army was used by Marshal Foch to expel the Bolsheviks. But the Rumanians occupied and looted Hungary, ignoring repeated warnings from the great powers. The helpless representatives of the Allied governments kept the wires hot with reports of defiance by the Rumanians, Czechs and Yugoslavs; but their mission was a complete failure. When after six months of looting and disorder the Rumanian government bowed to the demands of the Supreme Council and withdrew its troops from Budapest, the Allied powers again had no military forces available and therefore allowed Admiral Horthy to become master of Hungary, as his 8,000 soldiers were the only military force in Budapest. That is the story of how the first reactionary government was established after the war, in spite of the misgivings of the Supreme Council about these "reactionary elements."

Deák has endeavored to present the events "as objectively and dispassionately as I was capable of doing, despite my Hungarian heritage." In this attempt he has naturally had little success, but his apparent affection for the Magyars adds warmth and vividness to his story. The presentation of all relevant facts makes it easy for the reader to visualize the serious mistakes made by the Hungarian governments during the peace negotiations. Their mistakes began with their refusal to recognize the Austro-Hungarian armistice signed on November 3, 1918, with the result that they were obliged to accept a much more severe armistice signed on November 13. The leading Hungarian representatives at the peace negotiations at the Trianon were able, intelligent men of personal charm, but they were far from a realistic understanding of Hungary's situation. And in addition to minor *gaffes*, they were guilty of a fundamental strategic mistake in making a frontal attack on the peace treaty, instead of confining their case to those border areas where the Magyars had an undoubted majority. When the Hungarian delegates became aware of their failure, they tried to bribe French industrial and financial circles in order to win favor with the French government for the Hungarian aims. The story of these secret negotiations, of

which very little is known, forms an interesting part of Deák's book. Hungarian negotiators offered their railways and most important bank to the Schneider-Creusot concern, cooperating with Minister Loucheur and Ambassador Paléologue. The French government did indeed promise to assist Hungary in negotiating with her neighbors, and the Hungarian government hoped to form a bloc with Rumania and Poland against Czechoslovakia and Yugoslavia. But the final result was the Little Entente, directed against Hungary.

RICHARD SCHÜLLER

WHITAKER, ARTHUR P., editor. *Inter-American Affairs, 1941*. [Annual Survey, No. 1.] New York: Columbia University Press. 1942. 230 pp., index 10 pp. \$3.

The bibliography on the different countries of Ibero-America has grown almost pathologically in the last three years. At times the books have proved to be excellent, but in many cases they reveal mere personal impressions collected on a hurried trip, without sufficient knowledge of the language and cultural history of the country. This book, edited by Professor Whitaker, is one of the best that I have read on the subject, and it will be a real intellectual loss if the series which it inaugurates is not continued. The six studies included are of course not of equal value, but the book as a whole should be recommended to professors and students seeking a deeper understanding of inter-American relations.

Three of the studies are by Professor Whitaker, and are characterized by the accuracy of his judgment and information and the objectivity with which he presents the different facets of the problem, without veiling the bitterness against the United States which exists in some of these countries. But the studies by George Wythe on economics and finance and by William Rex Crawford on cultural relations, excellent as they are, reveal the weakest aspect of the book—the stress placed on what the United States is doing for and with these countries, rather than on what they are doing by themselves in economic, financial and cultural spheres. They are presented as passive rather than active: the picture would have been more complete if it had noted the initiative now displayed in the countries south of the Rio Grande. Brazil, Argentina, Peru, Chile and even Bolivia, as well as Mexico and Colombia, are making great efforts. In cultural life, for instance, an analysis of what is being done in South America's research institutes and laboratories would be a revelation to the general public in this country. Short as it is—too short, unfortunately—the chapter by William L. Schurz on pub-



lic health, social welfare and labor shows what he has already demonstrated in his book, his intuitive ability to present in a vivid form the inner meaning of the phenomena he analyzes.

A periodical publication of this nature and quality, if continued in the form indicated, will be enormously useful for a deeper understanding of the cultural modality and social psychology of the peoples of South America.

FERNANDO DE LOS RIOS

KATONA, GEORGE. *War Without Inflation: The Psychological Approach to Problems of War Economy*. New York: Columbia University Press. 1942. 207 pp. \$2.50.

Attitudes matter. Economic "laws" operate when, as and if human expectations and aspirations combine to make them operate. Since attitudes change with new ways of perceiving and understanding objective events, the events may have variable rather than invariable economic consequences. The possibility of avoiding inflation in wartime thus lies in changed and improved understanding as well as in legislative and administrative action.

In Katona's book this doctrine emerges clearly and on the whole convincingly by means of the application of psychological theory to economic data (mainly from 1940-42). Neither the data nor the theories—chiefly Gestalt—are presented with a heavy touch. Chapters on "How Inflation Arises," "Price Fixing and Rationing," "Taxation and Saving" are written with a minimum of technical jargon, psychological or economic. The longest chapter is on "Government Publicity."

Although the author's hand is not heavy, he nevertheless wields a sharp tool, and with considerable skill. The tool is his concept of the important role of "understanding" in human behavior, and with it he manages to knife a hoary economic superstition or two in nearly every chapter. For example, the proposal to tax increase in workers' incomes in order to hold spending power at prewar levels is discussed, and receives the *coup de grace* as follows: "Should a worker be more heavily taxed than a fellow worker on the same job and receiving the same pay, simply because he had earned less than the other man before the war? . . . It is impossible to make a worker understand that he should be penalized for having been in an unfortunate position before the war. A measure that cannot be understood is not practicable."

To this reviewer, the author's tool seems better than his explanation of it. He mentions as a "counter-argument against the author's faith in the persuasive power of the explanatory approach . . . the thesis that



emotions and sentiments, not knowledge and understanding, determine men's actions." Most psychologists will not find his retort to the counter-argument very convincing, because the issue he raises is largely false. The need to understand, and the obstacles in the way of understanding, are not divorced from emotions and sentiments. "Knowledge and understanding" arrive only when "emotion and sentiment" have helped to prepare the way. The relationship is circular, although the author seems to assume a priority of intellectual processes. "Provided the danger is clearly understood, then strong emotions may arise from the understanding. . . ."

The treatment of the proposal for a tax on increase in workers' incomes would seem to show that the author's practice is better than his preaching. His treatment of the theoretical issue suffers, in the reviewer's judgment, by ignoring the role of the ego in the "pursuit of meaning," as discussed in Cantril's *Psychology of Social Movements*. The author's practice is so good, however, that such theoretical inadequacies do not loom large, particularly in a nontechnical volume. It is not mere *amour propre* which leads him to conclude that with proper attention to known psychological principles this war could be waged without inflation.

THEODORE M. NEWCOMB

*Office of War Information*

STURMTHAL, ADOLF. *The Tragedy of European Labor, 1918-1939*. New York: Columbia University Press. 1943. 389 pp. \$3.50.

This book is an interesting, in some parts even fascinating, history of the European labor movement in the fateful period between wars. It excels not only because of the author's narrative abilities, but because of his nearness to his subject. As assistant secretary of the Socialist Labor International he had a vantage point for observation of the trends and events in the European labor movement in that period.

The author intended, however, that the book be more than a narrative: its purpose is to teach labor the lesson which he derives from a sociological theory. The study is supposed to supply the historical evidence for that theory, and all the historical material is selected with this purpose in mind. The theory is that whenever the labor movement of a country, after it has become an important political factor, acts or continues to act as a pressure group it is heading for severe defeat; in extreme cases pressure-group behavior may lead to so complete a deadlock between labor and its opponents that fascism has a good chance to win. Sturmthal's historical study is supposed to show that the defeats

at the end of the interwar period, following labor's rise to power in most European countries and ending in the triumph of fascism in some of them, were caused by the failure of the labor movements to outgrow the pressure-group stage in time.

However plausible Sturmthal's sociological theory may be, the historical evidence he produces is not sufficient to prove his case. To do this he would have had to prove not only that the labor parties of those countries where they were defeated had actually pursued a pressure-group policy, but also that in all those countries where labor was still on the ascent at the end of the period—Czechoslovakia, all the Scandinavian countries, the Lowlands and Switzerland—the movements had abandoned such a policy.

This comparison is not carried out in the book, or at least not convincingly. Among the countries with successful labor parties Sturmthal examines only one, Sweden. His claim that in Sweden in the critical period labor refrained from the pressure policy to a greater extent than in the other countries is based solely on the fact that the Swedish labor party succeeded in concluding a compromise with the farmers' interests. But he overlooks the fact that the labor parties in other countries, especially in Germany and Austria, also made great efforts to reconcile agricultural with labor interests, on the basis of a fair compromise and a constructive farm policy. He also overlooks the fact that during the entire period of the Weimar Republic the political regime in Prussia, which then included two thirds of the Reich population, was based on a close cooperation between the Social Democrats and the Catholic Centrists, which led both parties to overcome their pressure-group behavior.

But although Sturmthal fails to reduce the recent history of the European labor movement to his pressure-group formula, he succeeds in finding a much more satisfactory explanation for this period than his theory itself supplies. He shows that the basic weakness of the European labor movement in the interwar period lay in the conservatism and traditionalism in which it was frozen, a heritage of its radical past which had deterred it from sound planning for the development and reconstruction of the existing society. In masterly fashion he analyzes how the labor parties of the leading European countries failed in their task of showing to their nations a constructive way out of the great depression of the thirties, failed because they were unable to break free from the chains of their traditional *laissez-faire* doctrines, whereas in Sweden the labor party marched from victory to victory because it had outgrown economic traditionalism and opened its mind to new and

constructive economic thought. The chapters in which the author analyzes the economic policies of the various European labor parties during the great depression are by far the most interesting and convincing parts of a book which should be read by all those who search for serious contributions to an understanding of the causes of the tragedy of European democracy.

ALFRED BRAUNTHAL

*New York City*

DEWEY, JOHN. *German Philosophy and Politics*. [Revised Edition.] New York: Putnam. 1942. 145 pp., index 3 pp. \$2.

That strength and gentleness, or efficiency and generosity, can be combined is a conclusion which only a bold man would draw from the political history of Germany during the last hundred years. Accordingly, no one familiar with the Anglo-Saxon way of life can help wondering why "Germany is different." The question is evaded by those who refer to the "Other Germany," to the Germany which is not "different," which takes its bearings not by blood and iron nor by blood and soil but by philosophy. For the question concerns precisely not the mere existence but the political existence, the political efficiency, of the "Other Germany." Dewey's wartime statement, far from being guilty of that evasion, raises the question of whether German philosophy itself does not in large measure explain the characteristic features common to the Germany of Bismarck, of William II and of Hitler. And it answers that question in the affirmative.

No one will object to Dewey's question, but it is necessary to object to the way in which he arrives at his answer. The procedure which seems most natural is to describe as exactly as possible the characteristic features of the predominant German political spirit in the period under consideration (a peculiar mixture of authoritarianism, bellicism, nationalism); and then to discover how far a basis for that spirit is afforded by the political teaching of those philosophers who, in Germany, were generally considered most representative of German thought. The result would, I believe, partially confirm Dewey's thesis. But it would contradict that thesis as far as Kant, in particular, is concerned; and if Kant is indeed, as Dewey holds, "the philosopher of Germany" (p. 137), much of the relevance of the thesis would be lost. Dewey has chosen to start from a highly questionable description of the phenomenon to be explained: "Surely the chief mark of distinctly German civilization is its combination of self-conscious idealism with unsurpassed technical efficiency and organization in the varied fields

of action" (p. 69). This sentence is a restatement of a certain German "ideology" concerning the German spirit, rather than an adequate description. Could one not describe American civilization, for instance, in almost the same terms? Still more surprising is Dewey's explanation. He finds the "root idea" of the combination in question "in the doctrine of Kant concerning the two realms, one outer, physical and necessary, the other inner, ideal and free," and the primacy of "the inner" (p. 69). It is difficult in a review to discuss this comprehensive thesis on its own level. Fortunately Dewey summarizes what he considers the consequences for social life of Kant's doctrine, on the basis of Kant's own explicit statements: "In contrast with this realm of inner freedom stands that of civil and political action, the principle of which is obedience or subordination to constituted authority" (p. 76). The same conclusion was reached by men such as Descartes and Spinoza, who started from widely different ultimate assumptions.

Dewey is on much safer ground when he points out the connection between the depreciation by German philosophers of "happiness" and the ensuing overemphasis on the aspect of self-sacrifice in morality, on the one hand, and militarism on the other: "That war demands self-sacrifice is but the more convincing proof of its profound morality" (p. 113). The phenomenon which he has in mind is that the German philosophers, opposing the unqualified identification of the morally good with the object of enlightened self-interest, insisted on the difference between the *honestum* and the *utile* to such an extent that they were apt to forget the natural aim of man, which is happiness: happiness and utility, as well as common sense, become almost bad names in German philosophy. The difference between duty and self-interest is most obvious in the case of one particular virtue—courage, or military virtue. Whereas it is actually advantageous to the individual to be just, temperate, urbane, meek, etc., the consummation of courage—death on the field of honor—is never rewarded so far as the individual himself is concerned. In defending menaced morality, that is, nonmercenary morality, the German philosophers paved the way for the glorification of military virtue to the detriment of the virtues of peace. While this approach, if consistently followed, would be helpful in laying bare what might seem to be one specific danger to which German thought is exposed—moralism unmitigated by sense of humor or sense of proportion—it should be enlightened by the important truth that self-denial is as a rule a safer guide to decency than is "self-realization," to use a term of German extraction.

In attacking German philosophy Dewey defends not simply the

cause of democracy and international order, but a particular interpretation of that cause—his own philosophical doctrine. He seems to think that democracy is as much bound up with a belief "which is frankly experimental" as political absolutism is with "a philosophy of absolutes." No one will deny "that philosophical absolutism may be practically as dangerous as matter of fact political absolutism" (p. 113). But is it not also true that the "frankly experimental" "method . . . of success" (p. 142) has proved very dangerous in the hands of unscrupulous men, and that the belief in an "absolute" inspired the words "that all men are created equal, that they are endowed by their Creator with certain unalienable Rights"?

LEO STRAUSS

TREVELYAN, HUMPHRY. *Goethe and the Greeks*. Cambridge: University Press. New York: Macmillan. 1942. 287 pp., appendix and index 34 pp. \$3.75.

There are many valuable essays and studies on Goethe's classicism. This work by Trevelyan has merits of its own, and is a very illuminating effort to understand the specific meaning of Goethe's continual struggle to master the world of the Greeks. The book is the first chronological account of the stages by which Goethe gained knowledge and understanding of the ancient world; and the author has carefully elaborated a date chart (Appendix A, pp. 288-94) which makes it possible to pursue the changing aspects of Goethe's interests in Greek art, Homer, the tragedians, the Orphic hymns, Pindar, Plato and the Greek mythos. The chart alone makes the book an indispensable instrument for research on Goethe.

Apart from this contribution, Trevelyan offers a very convincing thesis through a detailed study of Goethe's diverse attempts to conquer the Greek universe. This thesis is that Goethe's classicism is a never-ceasing effort to escape the German world, the meanness of a society without genuine aristocracies, and the climate of Christian religion. Goethe's classicism is his Europeanism, his conquest of the narrow and provincial situation of a German independent thinker. It is a perpetual revolt against the frustrations and inhibitions of the modern man as compared to the totality and unity of the Greek man. In analyzing the different stages of Goethe's combat, Trevelyan strengthens the prediction which Hermann Grimm ventured forty years ago—that in the twentieth century intellectual efforts would turn to a discovery of Goethe's contribution to philosophy and science, while during the nineteenth century he was praised as a poet.



Trevelyan has pointed out that Goethe's constant efforts to conquer the secrets of Greek literary forms, the enigmatic statues of the gods and the mythos, involved artistic as well as philosophical problems. Goethe's was a kind of spiritual realism, striving to discover the true nature and character of man in a true world of nature, as compared to the limited and restricted man in the world of modern institutions. Goethe examined Homer, the tragedians, sculpture and architecture, mythology and the natural world in Italy and Sicily in his search for an understanding of this unique unity and lucidity of forms among the Greeks. In this undertaking he used, criticized and responded to the philologists and philosophers who had coined the image of Greece and the idea of Rome. He passed through the stages of rococo and romantic classicism. He never ceased discussing Winckelmann's interpretation of the Greek character. His appreciation of Winckelmann's work and his interpretation of Winckelmann's unique character in the modern world is a confession of his own inability, as a modern, to recreate the full and exuberant life of the Greeks in his work.

Goethe was well aware that he would never succeed in reviving Greek tragedy. He knew too well that the tragic characters of modern times, self-conscious and self-reflected, problematic characters in theory and practice, would not fit into the rigid form of a tragedy which presupposed the myth and the cruel and merciless rule of the gods. He was convinced that his own harmony made it impossible for him to imagine any truly tragic plot leading to a merciless catastrophe. He always strove for final reconciliation and a coincidence of the antagonistic opposites. For this reason Trevelyan rightly describes Goethe's aspiration to the Homeric epic as the most appropriate means to make clear his own idea of nature and man in nature. It is a paradox that Goethe never succeeds when he imitates classical plots and subjects; Trevelyan is absolutely correct in saying that *Hermann und Dorothea* is the highest triumph of Goethe's classicism, despite its modern subject. Here he succeeds in fulfilling a truly Homeric intention: to present the constitutive forms of social relationships as forms of nature. Goethe knew that his work was not comparable to Homer's. He had resigned himself to being a Homerid, and was happy in it. He preserved the image of Greek totality as the unity between nature and social institutions even when he became acquainted with the orient. Trevelyan takes up and confirms the thesis of Budarch's research on *West-östlicher Divan*, that in Goethe's interest in Persian mysticism there still appear the mystical trends of the Greek world, as having inaugurated those in the orient.



It is impossible to discuss here the many valuable suggestions which Trevelyan has submitted to the Goethe scholar. In this context it can only be stated that the social scientist who is interested in the history of ideas, particularly in the history of primitivism and its related ideas, will be extremely grateful to Trevelyan. It is the honor of British scholarship to have preserved the tradition of Goethe's work at a time when that tradition is stifled in Germany.

ALBERT SALOMON

KAPP, ERNST. *Greek Foundations of Traditional Logic*. New York: Columbia University Press. 1942. 87 pp., index 5 pp. \$1.50.

Ernst Kapp, prominent both as philologist and philosopher, inquires in this short but excellent book into the origin of the so-called Aristotelian logic. Modern thinking in the field refers to a traditional "science of logic" founded by Aristotle—yet there is, as Cohen and Nagel say in their *Introduction to Logic*, "a bewildering Babel of tongue as to what logic is about." It is certainly useful to learn from Kapp's book what Aristotle was really aiming at when he wrote his different "logical" treatises, later combined in the *Organon*. This problem is important not only in the history of logics, but for the understanding of Aristotle's philosophy and the relation of the *Organon* to the whole of his philosophy, which is far from clear. "Logics," Kapp finds, "was originally conceived as a science of what happens, not when we are thinking ourselves but when we are talking and trying to convince one another." This shift of the emphasis from thought to a technique of persuasion changes the usual picture considerably.

It would do no harm to Aristotle or to logics if the syllogism were restored to its original place. Aristotle's definition of it is quoted by Kapp: "A syllogism is an argument in which, certain things having been assumed, other than these follow of necessity by virtue of the things assumed" (p. 14). Kapp is right in stressing that in the process of arguing the conclusion is already in the mind of the person who tries to persuade. Thus in the mind of A the conclusion comes first. A proposes a "proposition" to which B might consent. If agreement is reached, A proposes a second proposition (the minor premise) to which B can consent. Whereas A goes from the conclusion to the premises, B is compelled to go from the premises to which he consents to the conclusion which he did not want to admit.

Kapp keeps within the limits of a study of the Greek foundation of traditional logic and touches only slightly on the relation of the Aristotelian logic to his ontology—or of the logos of arguing to the

logos of being. To Aristotle's mind the former was certainly not the basis of the latter. Yet some of the difficulties with which Aristotle struggled himself and with which he confronts us in his metaphysics may well have their origin in the power which the grammatical structure of our propositions exerts over our ontological concepts.

KURT RIEZLER

*In Commemoration of William James.* New York: Columbia University Press. 1942. 234 pp. \$2.75.

*William James, the Man and the Thinker.* [Addresses delivered at the University of Wisconsin in celebration of the centenary of his birth.] Madison: University of Wisconsin Press. 1942. 141 pp. \$2.

In times of emergency men reexamine the heritage of their moral and spiritual existence in order to become aware again of the principles which make their lives worth living, worth sacrificing when the principles need defense. Never is the power and strength of a nation so great as when it is mindful of the men who have expressed and mirrored the normative patterns of the national life. The centenary of William James' birth has recently occurred in such an emergency, and Americans have made evident that they piously and gratefully recognize his lasting vitality and the actuality of his work.

Some of the academic addresses and essays composed for the celebration are now published, including papers delivered at the memorial meetings held by the eastern and western branches of the American Philosophical Association, the Conference on Methods in Philosophy and the Sciences and the University of Wisconsin. It is indicative of James' comprehensive genius that the contributions deal with four different aspects of his work and personality. Some contributors reexamine a number of his basic psychological theses, in particular the questions raised by his revolutionary analyses of experience and of the stream of consciousness. Others investigate the metaphysical results of his psychology of experience. Still others describe the moral and social elements of his thinking. Finally, a group of personal disciples of James present valuable documents on the unending and radiant fertility of his mind, his intellectual and moral generosity and his heroic stand against the tragedies of life.

It has frequently been said that James expresses the epoch of frontier individualism. It is the characteristic feature of the celebration that some of the closest students of James reject this sociological imputation. They are aware that James' battle to reformulate the idea of human independence as against all types of absolutism, dehumanizing

generalizations and abstract laws is a fundamental attitude of the philosopher, particularly in situations where the pressure of institutions and abstractions suffocates spontaneity. Dewey, Kallen and Perry have stressed this point clearly. Kallen has accurately pointed out that James molded rather than expressed the American character in pursuing his philosophical goal. He has left the marks of his attitude on the decisions of the liberals on the Supreme Court: Oliver Wendell Holmes and Brandeis have borne witness to the living spirit of James' philosophy. For this reason Kallen praises James as the philosopher of freedom, the American philosopher whose work contributed to heightening the awareness of the American way of life. This address will be remembered for a long time. It is a most lucid and exalted expression of the lasting illumination resulting from the experience of human and philosophical greatness.

Dewey, Perry and Schneider expound the social and moral aspects of this philosophy of freedom. Dewey wisely remarks that James points the way and issues the challenge to a well developed philosophy of democracy. James' individualism is not a historical one, it is a concrete theory of intersubjectivity, of a fundamental mutuality and cooperation which alone make it possible to establish the unification of the individual and his relationships to his world. Everywhere James indicates intermediaries to extend a series of intimate groupings through the full scope of human relations. In the "moral equivalent for war" he applied this idea of intersubjectivity to eliminate the historical alternatives of individualism and collectivism.

Throughout his work James applied the scientific instruments of physiology and psychology to overcome the antinomies of life. Perry has given ample evidence that James was well aware that the most perfect and ideal visions of moral life become significant only when there is a passionate will to establish and defend them. James knew history well enough to recognize the tragic fact that the virtues of sympathy and love have frequently promoted the powers of evil. He presented a system of morals *quand même*. Life would be unbearable if we always lived in suspicion and dealt with others by general rules of prudence. In spite of everything, human beings should act with the spontaneity and vitality of devotion to the highest and noblest aspirations of their nature. This alone enables us to reach the highest standards of self-realization.

Yet this moral and emotional independence is not anarchy or arbitrariness. Bixler and Schneider have remarked that the idea of freedom is interdependent with the idea of obligation. The philosophy of free-

dom is indivisible from the philosophy of belief. In our beliefs we establish the horizon and the universe of meanings within which our independent acts gain dignity and significance.

In all spheres of James' philosophical activities we find the same attitude at work to reconcile contraries and make possible the coincidence of opposites in the stream of concrete experience. In an essay on the "Metaphysics of Experience," reexamining James' theory of pure experience, Lowe analyzes his effort to establish the unity between immanence and transcendence. In the papers dealing with James' achievements in psychology, some contributors stress this same basic concern of his thinking, the resolution of the dualisms of theoretical conceptions. James emphasized the character of his psychology as a natural science, but he also developed techniques to describe patterns of behavior as brought forth by organic conditions. These patterns develop in different directions according to specific purposes, evaluations and desires which appear in the physiological processes, but are not explained by them. This is certainly a new scientific method, an anticipation of phenomenological description. Morris has clearly seen the implication of this trend, but I do not believe that his conclusions are right. James was not driving at a theory of symbols. What is implied in his psychology and his analyses of belief and spiritual experience is a theory and typology of attitudes, a philosophical science of human nature which is truly scientific and philosophical.

The essays on James' psychology point to the tremendous stride forward in his analyses of experience and the stream of consciousness. They make no connection between James' work and corresponding trends in the work of Bergson and Husserl, although it would have made the presentation of James' achievements comprehensive, and would have clarified his place and function in contemporary philosophy. It is unfortunate that it was not possible to invite Jean Wahl, who has contributed most to this aspect of the problem.

It seems to me that there are two questions which might well have been discussed in this context. One is the problem of how much the introduction of Kierkegaard to America will raise new interest and open new avenues to James' science of religion, and again Jean Wahl, the outstanding expert on Kierkegaard, could have made a useful statement on the subject. The other is the concept of "humanism," which James used in the last period of his life, although in a different sense from F. C. Schiller. It is precisely this term which gives the historical perspective for a true appreciation of the grandeur and the limits of James' work. All over the world humanism has come into

existence when the patterns of conduct and thinking were hardening and the pressure of institutions endangered the independence and flow of human spontaneity. In all these situations philosophers have responded to the challenge of their environments with the militant postulate, "Let us return to things in themselves," or, in the modern version, "Toward the concrete!" In this effort the need for reconciling the antinomies of life and thought is formulated in terms appropriate to the different situations of the sciences. James is the last great humanist in this never-ending chain of intellectual and spiritual efforts to overcome the desiccation of abstract thinking. He was well aware that his work would not be discussed as a system. He hoped it would have a bearing on human conduct, and would be a lasting challenge to all self-sufficient experts and dogmatists. He himself clearly recognized the youthfulness and unending charm of his work, mirroring the intellectual vigor and spiritual range of one who has experienced the grandeur and misery of man.

There is a statement by Milton that applies to the vitality of James' work: "Books are not absolutely dead things, but do contain a potency of life in them to be as active as that soul was whose progeny they are; nay, they do preserve as in a vial the purest efficacy and extraction of the living intellect that bred them. I know they are as lively and as vigorously productive as those fabulous Dragon's teeth; and being sown up and down, may chance to spring up armed men."

ALBERT SALOMON

JEANS, SIR JAMES. *Physics and Philosophy*. New York: Macmillan. 1943. 222 pp. \$2.75.

This book aims at exploring "that borderland territory between physics and philosophy which used to seem so dull and suddenly became so interesting through recent developments of theoretical physics." The author is a physicist—he knows physics and is both interesting and reliable whenever he talks the language of the physicist. His report on the modern development of his field is conscientious although he avoids a too mathematical language, which is by no means an easy task. Unfortunately he is not a philosopher. He confronts physics with a rather popularized version of the doctrines of great philosophers, and thus his treatment and interpretation of causality, determinism, free will, "mentalism" and materialism move in the twilight of uncritically accepted and undefined concepts. The philosopher is not quite so naive as the author assumes, and even problems that are as close to physics as "continuum" are not quite so simple as Sir James seems to believe. But since



the author abstains from drawing philosophical conclusions on "free will" from modern physics, his book, readable for the layman, may at least be a useful warning to some divinity school where such conclusions are eagerly drawn and a popularized quantum theory is called to the aid of a bad theology.

KURT RIEZLER

DAHLBERG, GUNNAR. *Race, Reason and Rubbish*. [Translated from the Swedish by Lancelot Hogben.] New York: Columbia University Press. 1942. 240 pp. \$2.25.

Dahlberg, head of the Swedish Institute of Race Biology, is certainly competent to deal with questions of race in a scientific manner, and his book proves that he is able to treat the subject in a popular way as well. He avoids formulae, and he has included good diagrams which make the material easily comprehensible.

The fundamental tool for dealing with race problems is a proper knowledge of heredity. The author therefore expounds the classical Mendelian laws and the later discovery of the chromosomes, the physical basis which had been presupposed by these laws; polymeric characters, Morgan's theory of crossing over, sex linkage and Goldschmidt's breeding of intersexes; and finally the influences of random and assortative mating, selection and the isolate effect. The mystic and obscure feelings about heredity which were prevalent for many centuries are not presented in a historical account, but the earlier erroneous opinions are mentioned where they are contradicted by exact theories and experimental results.

To the classification of "rubbish" named in the title, the author evidently assigns such beliefs as that there have existed pure races, such as the Nordic or the Alpine; that it is possible to assign a definite race to an individual European; that individuals who resemble pure types are more closely related to similars than to dissimilars; that race may be ascertained from the outer appearance (phenotypus); and that the thoroughbred is descended from thoroughbreds. In reality, there is no reason to believe that pure races have ever existed in Europe; it is impossible to assign a definite race to an individual European, for brother and sister may well belong to different "races"; individuals may be more closely related to dissimilars than to similars; race can be ascertained only from the genotypus; and the common ancestry of pure types may have been mixed groups.

The author shows the futility of sterilization from a biological point of view. The more rarely a character occurs, the more widely it is spread



in latent form. If a character is recessive and appears once in a thousand of the population, complete sterilization continued for ten generations will not reduce its frequency by even a half. A sick person is recognized as such and therefore has less chance of having offspring; but his healthy relatives bearing the germ of the illness will transmit it to their offspring, and thus they are the really dangerous persons. The author warns that, except in relation to the transmission of certain rare illnesses, very little is known of human heredity; and he emphasizes the importance of the influence of environment.

Ten years ago publication of such a book would hardly have been justified, as most of the contents are rather generally known. But today the book gains significance by showing that the "new" race theories established by the Nazis were actually refuted long ago by classical and conclusive experiments, beginning with those of Mendel. "When race is discussed at present, we backslide into antiquated notions of heredity" (p. 200). In his cautious—perhaps overcautious—way the author does not even mention the Nazis by name: he does not point out that what he describes as "rubbish" is the very foundation of the Nazi theories of race.

E. J. GUMBEL

SIMMONS, LEO W., ed. *Sun Chief, The Autobiography of a Hopi Indian*. [Published for the Institute of Human Relations.] New Haven: Yale University Press. 1942. 397 pp., appendices 56 pp. \$4.25.

Don C. Talayesva was born fifty years ago in Oraibi, Arizona. This was the time when the conflict between the old and new ways of life was becoming acute, expressing itself in Hopi society through the opposition between the "Friendly," who were willing to cooperate with the white man, and the "Hostile," who were determined to resist. Born as a Hopi, reared as a Hopi child, Don was sent when he was about ten years old to the American school, and until twenty he planned and hoped for an American life. At that time a sudden illness opened a violent crisis in his mind; through dreams and visions he became acquainted with his familiar spirit, and in compliance with his warning he returned to his homeland, renounced Christianity and settled down into the ways and customs of Hopi life. Dr. Simmons, who met him first in June 1938, succeeded in persuading him to write the story of his life. This story has been made by Dr. Simmons the subject of a highly interesting and easily read book, which proves to be a first class document in ethnology, though not exactly in the same sense that the editor had in mind when preparing this most remarkable work.

The function of primitive biographies is to provide a psychological expression of cultural phenomena. This psychological expression—because it is psychological—is immediately accessible to any human being, even to one who belongs to a quite different cultural surrounding. The systematic study of a culture, on the other hand, is always a description of that culture from the outside; and all cultures, considered from that point of view, appear like as many irreducible, close universes. Thus, in the opinion of the reviewer, the value of the biographic method is not in providing a new scientific approach but in eliminating problems, or pseudo-problems, which appear unintelligible from the outside but vanish when approached from the inside. It does not raise new problems, it suppresses old ones.

In the light of this observation Simmons' laborious attempt to present a sample of what he expects from the study of life histories does not add very much to the plain, matter-of-fact account of Don's diary. The ambivalent attitude of a stepfather toward his adopted son, and the implied motivations, are perfectly clear to the reader, for the same situation has often been developed by, and is a basic theme of, world folklore and literature from France to China. Simmons' treatment of Don's biography constantly oscillates between a dry, factual chronological report of small events, and a surreptitiously reintroduced course in Hopi ethnology. It would be a great delusion to assume that an autobiographic presentation of Hopi life is not bound to be exactly—and inescapably—as artificial as any more systematic treatment of the same subject would be.

But when, from time to time, the proper tone is found, the documents that are offered are priceless, as for instance this childhood recollection: "as she [his mother] climbed the ladder to the roof of a winter-house, I saw the Katcinas resting near by. It seemed that they had cut off their heads and laid them to one side. They were eating and were using human heads and mouths like our own. I felt very sad to see those Katcinas without their own heads." And the account of the child's distress before the conflict between the objective order of the generations and the formal requirements of the kinship system is the most enlightening document ever presented on kinship psychology in primitive society.

In the last chapter of his narrative Don mentions that some Indians believe that Hitler may be the "Chosen White Brother" who, according to the Hopi legend, will come back some day to punish the wicked and deliver the righteous. Two years ago exactly the same beliefs were recorded by the reviewer among the poor Negroes of Martinique. It would be interesting to know whether they are the result of a subtle totalitarian

propaganda among colored peoples, or whether that remarkable convergence of interpretation may be accounted for by a natural resentment against white domination.

CLAUDE LÉVI-STRAUSS

KERNER, ROBERT J. *The Urge to the Sea. The Course of Russian History*. Berkeley and Los Angeles: University of California Press. 1942. 190 pp., index 22 pp. \$2.50.

Professor Kerner's compact survey is more of a promise than a fulfillment. A "brief preliminary exposition" of but part of a seven-year investigation of the role of such diverse factors as rivers, portages, ostrogs, monasteries and furs on the course of Russian history, it presents the valuable materials gleaned from a vast array of printed sources in the form of a well-nigh irreducible skeleton of facts. In a first part the author examines in brief outline the major features of his theme: the pivotal role of the Valdai Hills; the importance of the way to the Greeks for the development of the Kiev sector of Russia; the expansion of Novgorod;

## AMERICAN ECONOMIC REVIEW

Contents, September 1943, Volume XXXIII

EXTERNAL ECONOMIES AND DISECONOMIES.....	H. S. Ellis and William Fellner
THE BEVERIDGE REPORT.....	Eveline M. Burns
THE INTERNATIONAL CLEARING UNION.....	Imre de Vegh
SUBSIDIES AND INFLATION.....	S. E. Harris
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and finally, the urge to the sea as a factor in the rise of Moscow and its expansion toward the Baltic, the Black Sea and the Pacific. This "text part" is supplemented by a series of detailed appendices tabulating the portages and important Russian river systems, the more important monasteries in their relation to the river systems and the ostrogs, and the important Siberian ostrogs. Significant excerpts are presented from the Smolensk trade codes of 1229 and 1274, from documents and other sources that illustrate the fortified line of 1571, and from seventeenth century descriptions of river and land transportation in Siberia.

Invaluable as this assembly of facts will doubtless prove as a unique source of reference, in its present form it is too brief and too condensed to permit either detailed discussion or evaluation. Mention should be made, however, of the extremely interesting light thrown on the Swedish-Russian struggle for the Karelian Isthmus and for control of the Finnish Gulf in the seventeenth century.

HERBERT ROSINSKI

Washington, D. C.

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LA PRÉPARATION INTELLECTUELLE DES CONQUÊTES NAZIES.....	Henri Bonnet
PARIS ET CLEMENCEAU.....	Jean-Albert Bédé
LES OCCASIONS PERDUES.....	René Hilaire
PATAGONIE.....	Roger Caillois
CINÉMA ART UNIVERSEL.....	Jean Benoit-Lévy
MONTAIGNE D'APRÈS LÉON BRUNSCHVICG.....	Germaine Weill
DE LA NAISSANCE DU FRANÇAIS.....	Henri François Muller
LES NOUVEAUX "CHÂTIMENTS".....	Anatole Muhlstein
QUATORZE JUILLET 1943.....	Jacques Maritain
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Partial Contents for October, 1943 (Volume VIII, Number 5)

A SYNTHETIC VIEW OF THE SOCIAL INDIVIDUAL AS A PRIMARY DATUM IN SOCIOLOGY.....	Herbert A. Bloch
MONUMENTS: GERMAN PERSONALITY TYPES FORESHADOWING THE COLLAPSE OF THE WEIMAR REPUBLIC.....	Howard Becker
SOCIAL PARTICIPATION AND TOTALITARIAN WAR.....	Edwin M. Lemert
FREEDOM FROM WANT AND INTERNATIONAL POPULATION POLICY.....	Imre Ferenczi
EDUCATION RECONSTRUCTION IN EUROPE.....	Feliks Gross
FAMILIAL ADJUSTMENTS OF JAPANESE-AMERICANS TO RELOCATION: FIRST PHASE.....	Leonard Bloom

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521

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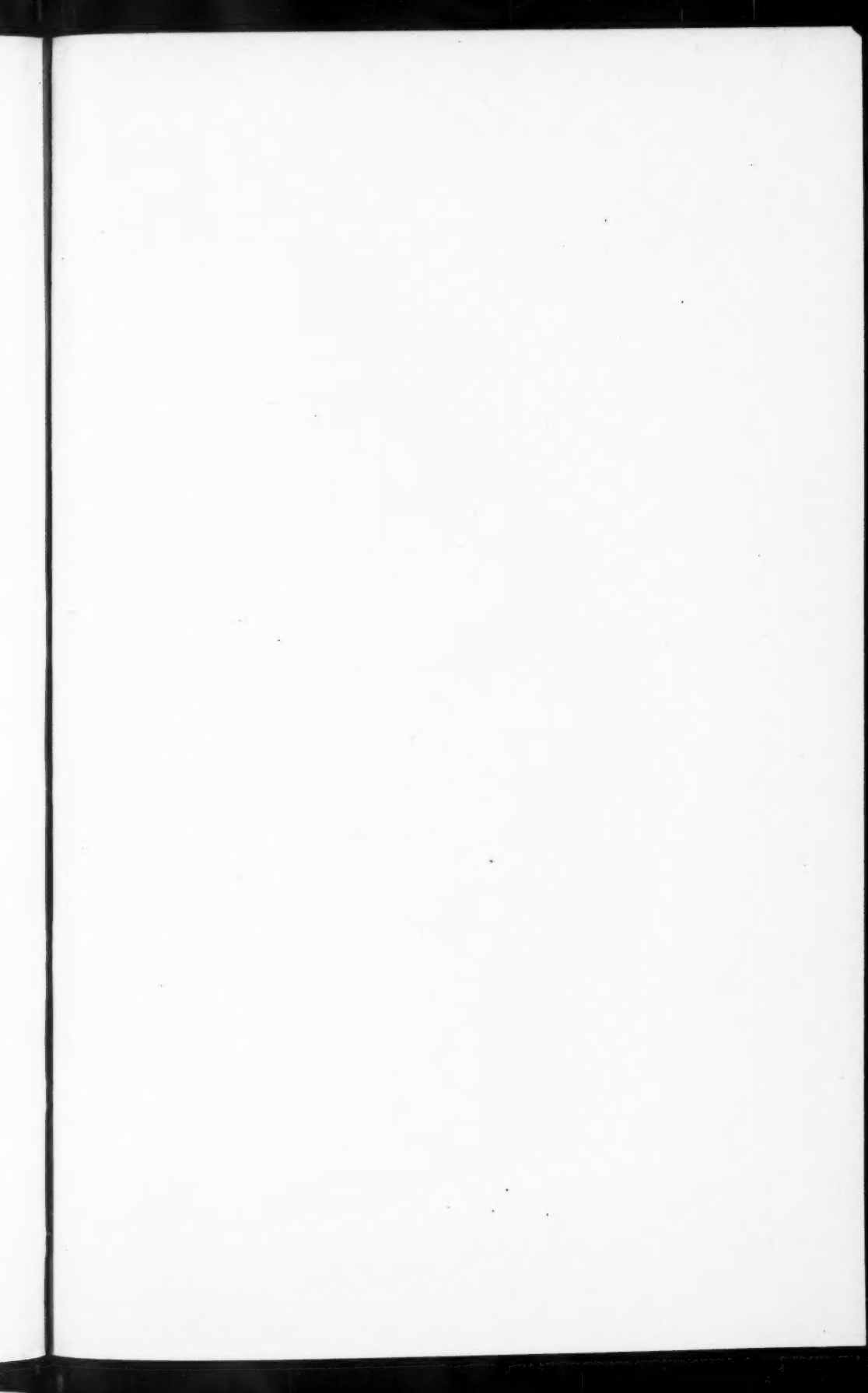
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